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1

THE TRANSITION TO SOCIALISM

PAUL M. SWEEZY

MODERN CAPITALISM AND THE STATE

- ALAN STONE
- ISAAC BALBUS

Foreign Expansion of U.S. Banks

RICK WOLFF

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EDITORS: Paul M. Sweezy Harry Magdoff Leo Huberman (1903-1968)

ASSOCIATE EDITOR: Bobbye Ortiz

NOTES FROM THE EDITORS

A letter received as we go to press gives us some details about Paul Sweezy's short stay in Italy, prior to his visit to England where he will give the Alfred Marshall lectures at Cambridge University. During eight days he gave his lecture on "The Transition to Socialism" (published as this issue's Review of the Month) in six cities from Trieste in the northeast to Palermo in Sicily, along with four TV appearances, numerous press conferences, a lecture on another topic to over 1,000 students at the University of Bari, and a flood of invitations which could not be accepted. The spread and intensity of the reception led to the observation that "MR's following and reputation in Italy are really quite astounding." This does not come as a complete surprise, considering the extent of the newsstand circulation of the Italian edition of MR. Perhaps more revealing is an Italian sailor's letter sent from Rio de Janeiro. We would like to share with you this letter, somewhat abbreviated and slightly edited, but retaining the cross-cultural language structure.

"Dearest friends Paul and Harry,
"For the once I have had the opportunity to read your *Monthly*

(*Continued on inside back cover*)

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THE TRANSITION TO SOCIALISM

By Paul M. Sweezy

The following is the text of a lecture, given in March and April in Turin and other Italian cities, at the invitation of the Associazione Culturale Italiana.

The subject of this talk is so large and one hour is so brief that I must confine myself to a few aspects of what could easily constitute the content of an entire course of lectures. This necessarily means that I will assume much that is neither obvious nor uncontroversial. It may therefore be useful at the outset to make explicit some of these assumptions.

(1) There is no such thing as a general theory of the transition between social systems. This is not because relatively little attention has been paid to the subject—though this is undoubtedly true—but because each transition is a unique historical process which must be analyzed and explained as such.

(2) Nevertheless, a comparative study of transitions can be extremely valuable. In particular the study of past transitions can help us to ask fruitful questions about present and possible future transitions, to recognize similarities and differences, to appreciate the historicity and totality of the process under examination.

(3) Transitions are never simple or brief processes. On the contrary, they typically occupy and even define whole historical

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epochs. One aspect of their complexity is what may be called multi-directionality: movement in one direction may turn back on itself and resume in a forward direction from a new basis. In some places the reversal may be prolonged or conceivably even permanent.

(4) Transitions from one social order to another involve the most difficult and profound problems of historical materialism. "Herr Proudhon does not know," Marx wrote in *The Poverty of Philosophy,* "that all history is but the continuous transformation of human nature." (Marx/Engels, *Werke,* Vol. 4, p. 160.) This view can be squared with the principle, as stated in the sixth Thesis on Feuerbach, that "the human essence is no abstraction inherent in each single individual" but "the ensemble of social relations," only if it is possible to relate the transformation of human nature to the transformation of social relations. How this is to be done is also indicated in the *Theses on Feuerbach* (the third):

> The materialist doctrine that men are products of circumstances and upbringing, and that therefore changed men are the product of other circumstances and changed upbringing, forgets that it is men who change circumstances and that the educator must himself be educated. . . . The coincidence of the changing of circumstances and human activity can be conceived and rationally understood only as *revolutionizing practice.*

Here, in the concatenation of human nature, social relations, and revolutionizing practice, we reach the heart of the problem of the transition from one social system to another.

* * *

Let us begin with a few reflections on the transition from feudalism to capitalism in its decisive European theater. There are, I believe, many unsettled questions in this area relating to such matters as the causes of the decline of feudalism and the origins of capitalism, but they are not my present concern. Whatever positions may be held by different scholars on these questions, it seems to me unlikely that any would disagree that both the decline of feudalism and the beginnings of capitalism can be traced far back into the Middle Ages, that is to say, into a period when there is no doubt that the dominant European mode of production was feudal. In other words, there is no

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doubt that capitalism made its appearance, not as a theory or an aspiration but as an actual social formation within the confines of feudal society. Oliver Cox has argued very persuasively that Venice in the Middle Ages was already a thoroughly bourgeois city-state, completely oriented toward profit-seeking commerce, with significant capitalist production (e.g., in shipbuilding) and a typically bourgeois political and ideological superstructure. The same can be said with even greater certainty of a considerable number of Italian and Northern European cities in the later feudal period, and of course the discovery of America and the opening up of sea routes to the Far East in the fifteenth and sixteenth centuries generated a burst of activity (including plunder and piracy as well as trade) which by no stretch of the imagination could be called "feudal." There is room for dispute about precisely how and when capitalism finally triumphed, but there can be no contesting the fact that the process involved an ongoing struggle between two actually existing social formations for supremacy, i.e., for state power (monopoly over the means of coercion) and the right to organize society in accordance with their respective interests and ideas. Moreover the process was a prolonged one in which the "new" social formation had ample time to prepare itself, both economically and ideologically, for the role of undisputed dominance.

What does this mean in terms of the transformation of human nature? It means that "bourgeois man" was born and matured in a feudal world. The establishment and expansion of capitalist economic and social relations were practical human activities which gradually molded human beings with appropriate attitudes, motivations, "instincts"—cupidity, means-and-ends rationality, individualism, and so on. For centuries bourgeois man lived alongside feudal man, sometimes in uneasy accommodation, sometimes in mortal combat, but always advancing and reaching out for more power, eventually conquering and even assimilating his ancient rival. When the time finally came for bourgeois man to step forward as the master of his universe, his nature was fully formed and faithfully reflected the newly emergent "ensemble of social relations." In retrospect we can see that in this case the "revolutionizing

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practice," which in Marx's view is the key to understanding changes in society and hence also changes in human nature, was precisely the centuries-long process of building capitalism within the framework of feudal society.

* * *

If we turn now to the subject before us, the first thing we notice is that the transition to socialism does not, and in the nature of the case cannot, take the same course as the transition from feudalism to capitalism. Not that this road has never occurred to anyone, or even that it has never been tried. Quite the contrary. The distinguishing characteristic of pre-Marxian or Utopian socialism was the deliberate selection (though not the conscious copying) of a road to socialism similar to that which had led from feudalism to capitalism. Small socialistic communities were to be, and in many cases actually were, established. These were to be both schools of socialism and bases from which the new society would spread, undermining and eventually overwhelming their capitalist matrix. There were many reasons why this strategy could not work, perhaps chief among them that the small socialist communities—unlike capitalism in the interstices of feudal society—had nothing positive to offer the dominant system and hence from its viewpoint their success would be an unmitigated disaster. Add to this that they had neither the ability nor the desire to compete against capitalism on its own terms and one can see that the obstacles to their survival, let alone development, were so enormous that they were in effect doomed from the outset. Instead of creating a new socialist human nature, they served only to buttress the characteristic bourgeois view that human nature is, after all, unchangeable.

Marx of course shared none of the illusions of the Utopians and, as we have already seen, was fully aware of the complex interrelation of social systems, human action, and social change. (It is worth remembering that both the *Theses on Feuerbach* and *The Poverty of Philosophy,* from which I quoted earlier, were written in the period 1845-1847, i.e., early in Marx's intellectual development; and there is not the slightest reason to believe that he ever changed his mind on these absolutely

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fundamental questions.) What, then, was his conception of the *modus operandi* of the transition to socialism?

The answer, at least in broad outline, is well known. Socialism itself cannot take root and grow within the confines of capitalist society, as capitalism had done under feudalism. But in Marx's view capitalism has a special, perhaps historically unique, characteristic which not only makes possible but guarantees the existence of a different road to its transformation.

The essence of capitalism is the self-expansion of capital, which takes place through the production and capitalization of surplus value. Production of surplus value in turn is the function of the proletariat, i.e., the class of wage workers who own no means of production and can live only by the sale of their labor power. Since the proletariat produces for capital and not for the satisfaction of its own needs, it follows that capitalism, in Marx's words, "establishes an accumulation of misery corresponding with accumulation of capital." The proletariat is thus both essential to capitalism and its essential victim. As capitalism grows, so does the proletariat; and the very processes of capitalist development prepare the proletariat for its historic role. Hence the concluding sentences of the first section of the *Communist Manifesto*: "What the bourgeoisie therefore produces, above all, are its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable."

This theory of the revolutionary mission of the proletariat is of course central to Marxism and has been endlessly expounded, criticized, and debated. It is not my present purpose, however, to enter this discussion but rather to point out that, considered as a theory of the transition to socialism, it is only half a theory. What it deals with is the overthrow of capitalism; what it omits is the construction of socialism. Does Marxism contain, or imply, a complementary theory of the construction of socialism? If so, what is it? These are the questions to which I should like to address myself next.

* * *

For our purposes we do not need a definition of socialism, nor do we need to compile a catalogue of its characteristics. But we definitely do need to be perfectly clear that Marxism has always conceived of socialism as the negation of capitalism,

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operating according to radically different laws and principles. Capitalism treats people as means to the expansion of capital, which is the root of its manifold contradictions and evils. The main point of socialism is to reverse this, to enable people to take over and to arrange not only their productive activity but their whole lives with a view to satisfying their truly human needs. This reversal implies, among other things, the abolition of private property in the means of production and of incomes derived therefrom, a high degree of equality in all things, allocation of resources by plan rather than by the blind forces of the market, the elimination as rapidly as possible of invidious distinctions between manual and mental labor and between city and country, and the ultimate replacement of all money and commodity relations by direct human relations.

Now it is clear that capitalists and those imbued with capitalist attitudes and values would neither want nor be able to build and operate such a society. Their bourgeois human nature would be totally incompatible with the ensemble of social relations of socialist society. An attempt to combine the two would be doomed from the outset: either bourgeois human nature would have to be transformed into socialist human nature, or socialist relations would have to be transformed into bourgeois relations.

Let us recall at this point that this dilemma never arose in the case of the transition to capitalism. Bourgeois relations grew up within the framework of feudal society and molded bourgeois human nature over a period of several centuries. When capitalism finally conquered feudalism, it did so not merely as a revolutionary class but as an entire social order in which the correspondence between human nature and social relations was already fully developed. The element of dissonance represented by the continued existence of feudal remnants was of course there and in some (superstructural) respects was even important, but it posed no serious threat to the functioning of capitalism.

As we have seen, socialist human nature could not emerge through the revolutionizing practice of socialism within the framework of capitalism. Are there other possibilities, and if so what are they?

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Not so long ago, I argued, in a discussion with Charles Bettelheim, that Marxism, at least up to the time of the Russian Revolution, had a clear answer to this question:

> In classical Marxian theory . . . the proletariat . . . referred to the wage workers employed in large-scale capitalist industry who, in the advanced capitalist countries, constituted a majority of the working class and a very substantial proportion of the total population. These workers were assumed to have acquired, as a consequence of the capitalist accumulation process itself, certain specifically proletarian (and anti-bourgeois) attitudes and values: solidarity, cooperativeness, egalitarianism, etc. Historically speaking, the proletarian was seen as a "new man" formed by capitalism and possessing the interest, the will, and the ability to overthrow the system *and* to lead the way in the construction of a new socialist society. (MONTHLY REVIEW, December 1970, p. 17.)

I wrote this not after research in the relevant texts but from my general understanding of Marxian theory formed over a period of many years. Subsequently I was challenged to support this interpretation, and I must confess that I was unable to do so. It is easy to cite dozens of passages from the works of Marx and Engels affirming the revolutionary role of the proletariat in the overthrow of capitalism. I have not, however, found any which are specifically addressed to the question of the proletariat's ability or readiness to build a socialist society; and at least some of their formulations, especially those which analyze the effects of the division of labor on the worker, clearly imply a negative evaluation of the proletariat's qualifications. Consider, for example, the following from the famous chapter on "Machinery and Modern Industry," in the first volume of *Capital* (repeated verbatim by Engels in *Anti-Dühring*):

> Modern industry, indeed, compels society, under penalty of death, to replace the detail-worker of today, crippled by life-long repetition of one and the same trivial operation, and thus reduced to the mere fragment of a man, by the fully developed individual, fit for a variety of labors, ready to face any change of production, and to whom the different social functions he performs are but so many modes of giving free scope to his own natural and acquired powers.

As a statement of one of the central aims, I would even

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say necessities of socialism, this is magnificent. But when Marx says that modern industry "compels society" to follow the course indicated, he deliberately sidesteps the question of the nature of the revolutionizing practice which will turn a mere fragment of a man into a fully developed individual.

When in doubt about the correct interpretation of Marx, it is a good idea to consult Lenin. What were his ideas on this subject?

Perhaps Lenin's most systematic analysis of the characteristics of the proletariat was in *What Is to Be Done?*, written in 1902. There, as is well known, he argued that "economism" comes naturally to the proletariat: "The history of all countries shows that the working class, exclusively by its own effort, is able to develop only trade union consciousness, i.e., the conviction that it is necessary to combine in unions, fight the employers and strive to compel the government to pass necessary labor legislation, etc." (*Selected Works,* Vol. I, Part 1, pp. 233-234.) Socialism, i.e., the conviction that it is necessary to overthrow capitalism and replace it by an entirely different system, was, according to Lenin, introduced into the proletariat by revolutionary intellectuals. It was they who took the initiative in educating the advanced workers to their real interests and organizing them into a revolutionary vanguard party whose functions were both to lead the proletariat in revolutionary struggles and to imbue it with an ever sharper socialist consciousness. The clear implication of this view for the problem which concerns us is that it is not capitalism as such but the revolutionary struggle to overthrow capitalism which creates men with the will and ability to go further and begin the construction of socialism. Revolutionizing practice, in Lenin's view, was nothing more nor less than the practice of revolution.

We are often told, especially by learned opponents of Marxism, that it was precisely in his denial of the spontaneous revolutionary potential of the proletariat that Lenin differed most markedly from Marx and Engels. This is supposed to be the basis of his conception of the nature and role of the vanguard party, which is widely believed to constitute a Leninist deviation without roots in the teachings of the masters.

Certainly there is no doubt that it was Lenin who was

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responsible for developing the vanguard party, both in theory and practice, as we know it today. But is there really any inconsistency between the Leninist conception of the party and the ideas of Marx and Engels?

It seems to me that it would be correct to give an affirmative answer to this question only if it could be shown that Marx and Engels believed that the proletariat was capable of developing, exclusively by its own effort (in Lenin's phrase), a revolutionary *and* socialist consciousness. As I indicated earlier, I used to think that this was indeed their view but an effort to prove it convinced me that I was wrong. Not only does one look in vain for specific statements attributing revolutionary socialist spontaneism to the proletariat, but the lifelong practice of the two men would be incomprehensible if they had held such a view of the character of the proletariat. From the Communist League in the 1840s through the First International to Engels's last years when he acted as consultant to socialist parties all over the world, they were tireless in their efforts to do just what Lenin said it was the function of revolutionary intellectuals to do, i.e., introduce a revolutionary socialist consciousness into the proletariat. And it is of course obvious that one of the examples Lenin had in mind when he wrote *What Is to Be Done?* was the founders of scientific socialism. The weight of the evidence, it seems to me, is that in this as in other matters Lenin's ideas and activities were fully consistent with those of Marx and Engels. For them, no less than for him, revolutionizing practice was the practice of revolution.

* * *

I would like now to attempt to draw some of the implications of this view for the transition to socialism. Bourgeois human nature, as we have seen, was formed in a centuries-long process of actual capitalist development within the framework of feudal society. When capitalism had grown strong enough to challenge and defeat feudalism, there was no real possibility of a return to feudalism. Bourgeois man was at home only in bourgeois society: there was no conceivable reason for him to reactivate or recreate feudal social relations. (This is not to deny of course that capitalist power could here and there be defeated by feudal power, resulting in local and perhaps even prolonged

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setbacks to the progress of capitalism. Such occurrences, however, could not arrest the general advance of the new system.) It is altogether different in the case of the transition to socialism. Socialist human nature is not formed within the framework of capitalism but only in the struggle against capitalism. What guarantee is there that this will occur on a sufficient scale and in sufficient depth to make possible the construction of a new socialist society? For we should be under no illusion that the social relations specific to a socialist society could exist in anything but name in the absence of the kind of human material which alone could give them sense and meaning. That Marx himself understood this, even if he did not explore all its implications, is shown by a passage from the *Enthüllungen über den Kommunisten-Prozess zu Köln* in which he distinguishes between the propaganda of his group in the Communist League and that of an opposed minority group:

> While we say to the workers: you have to undergo fifteen, twenty, fifty years of civil wars and popular struggles not only to change the relations but to change yourselves and prepare yourselves for political mastery, they tell them on the contrary, "We must come to power immediately, or we can forget about it." While we make a special point of emphasizing to the German worker the underdeveloped state of the German proletariat, they flatter his national feeling and the craft prejudice of the German artisan, which to be sure is more popular. (*Werke,* Vol. 8, p. 412.)

Here Marx puts his finger on the central issue: the proletariat must not only change the relations of society but in the process change itself. And unfortunately more than a century of subsequent history proves all too conclusively that there is as yet no guarantee that this can be successfully accomplished.

As far as the industrially advanced countries are concerned, capitalism proved to have a great deal more expansive and adaptive power than Marx suspected. Under the circumstances, their proletariats succumbed to the economism which Lenin saw as natural to them but believed could be overcome by a conscious revolutionary vanguard. What actually happened was the opposite: the vanguards, whether calling themselves Socialist or Social Democratic or Communist, instead of con-

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verting the proletarian masses to revolutionary socialism were themselves transformed into economistic reformers. There are of course those who see in this a temporary aberration and believe that a new revolutionary period has opened in which the proletariat will once again play the role attributed to it in classical Marxist-Leninist theory. (For an able presentation of this argument, see Daniel Singer's recently published work, *Prelude to Revolution.*) I for one fervently hope that they are right, but as for now the most one can say is that the case is unproved.

When we turn to the countries where the old regimes (either capitalist or a feudal-capitalist mixture) have actually been overthrown, we are confronted with two very different experiences which, for obvious reasons, can best be exemplified by the Soviet Union and China respectively.

The October Revolution proved the validity, under conditions existing in Russia in 1917, of the first half of the Marxist-Leninist theory of transition to socialism. The industrial proletariat, though relatively small, was able, under resolute revolutionary leadership, to overthrow the bourgeois regime which had come to power in the February Revolution. But with regard to the second half of the theory—the capacity of the proletariat to lead the way in the construction of socialism—the Russian experience is at best inconclusive. Small to begin with, the Russian proletariat was decimated and dispersed by the four years of bloody civil war, hunger, and chaos which followed the October Revolution. The Bolshevik government, preoccupied with problems of survival and economic recovery, was obliged to rely on the old, obviously profoundly anti-socialist state bureaucracy and to add to its size and power in the ensuing years. Nevertheless, the period from roughly 1922 to 1928 was one of revolutionary ferment—in the arts, education, sexual relations, social science, etc.—which, had it not been cut short, might have generated powerful socialist forces and trends. What brought this period to an end was the fateful decision to subordinate everything else to the most rapid possible economic development. It would take us too far afield to discuss the reasons for or justification of this decision: suffice it to point out that it entailed what may almost be called a

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supernatural counter-revolution together with the imposition of an extremely repressive political regime. Under the circumstances, revolutionizing practice tending to produce socialist human nature almost totally disappeared. Instead, the reconstituted and expanded proletariat which came with forced-march industrialization was repressed and atomized, deprived of all means of self-expression and terrorized by an omnipresent secret police.

While the Russian experience thus throws little light on the positive side of the problem of constructing socialism, it does provide devastating proof of the impossibility of infusing seemingly socialist forms—such as nationalized means of production and comprehensive economic planning—with genuine socialist content unless the process goes hand-in-hand with the formation of socialist human beings. The idea, assiduously promoted by Soviet ideologists, that raising material living standards of the masses will by itself foster socialist consciousness never had anything to recommend it and has been shown by Soviet (as well as American!) experience to be nonsense. Some of the negative potentialities of the Soviet Russian system were, paradoxically, held in check for a time by the Stalinist terror: a bureaucrat abusing his position too blatantly was likely to find himself in a labor camp, if not worse. But after Stalin's death these restraints were largely removed, and the true nature of the situation was soon revealed.

A recent Chinese critique points to the heart of the matter:

> From production to distribution, from economic branches to government organizations, the forces of capitalism run wild in town and countryside. Speculation, cornering the market, price rigging, and cheating are the order of the day: capitalist roaders in enterprises and government team up in grafting, embezzling, working for their own benefit at the expense of the public interest, dividing up the spoils and taking bribes. Socialist ownership by the whole people has degenerated into ownership by a privileged stratum, and is directly manipulated by a handful of capitalist roaders and new bourgeois elements. . . . This has been a painful historical lesson! ("Socialist Construction and Class Struggle in the Field of Economics—Critique of Sun Yeh-fang's Revisionist Economic Theory," by the Writing Group of the Kirin Provincial Revolutionary Committee, *Peking Review,* April 17, 1970, p. 9.)

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I would stress particularly the statement that "socialist ownership by the whole people has degenerated into ownership by a privileged stratum" with the *caveat* that this is to be interpreted *de facto* rather than *de jure*. It is a privileged stratum—what Charles Bettelheim has called a new "state bourgeoisie"—which controls the means of production and thereby decides how the fruits of production are to be utilized. Regardless of legal forms, this is the real content of class ownership.

It is noteworthy that the foregoing characterization of the situation in the Soviet Union could be applied with little or no change to almost any capitalist country, the main difference being that under capitalism a large part of the activities alluded to are perfectly legal. This underscores the fact that no legal system, using the term in the broadest sense to include the system of property relations, can effectively control men's behavior unless it is in harmony with the historically formed human nature of its subjects. This condition is patently not fulfilled in the Soviet Union.

This of course does not mean that there will never be socialism in the Soviet Union, still less that the failure of the first effort to introduce it has been without positive effects. The earliest appearances of capitalism were also abortive, but they left a precious heritage of experience (including, for example, the invention of double-entry bookkeeping) without which later capitalisms might also have failed or at any rate found development much more difficult. It was through the Russian Revolution that the crucially important science of Marxism-Leninism reached the peoples of Asia, Africa, and Latin America; and it is probably no exaggeration to say that it was only the negative example of later Soviet experience which enabled other countries to see the necessity of protracted revolutionizing practice to the building of socialism. "The restoration of capitalism in the Soviet Union and certain other socialist countries," said Lin Piao on the fiftieth anniversary of the October Revolution, "is the most important lesson to be drawn from the last fifty years of the history of the international Communist movement." (Quoted in *Le Monde Weekly,* January 13, 1971, p. 8.)

It was not, however, only the negative lesson of Soviet

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experience which impelled the Chinese to pioneer a different road to the construction of socialism. The situation in China differed in important respects from that in Russia. For one thing, the Chinese proletariat, though smaller than the Russian, was never seriously plagued by economism. As Mao wrote in 1939, "Since there is no economic basis for economic reformism in colonial and semi-colonial China as there is in Europe, the whole proletariat, with the exception of a few scabs, is most revolutionary." (*Selected Works,* Vol. II, p. 324.) To this consistently revolutionary force there was added another even larger one formed in the quarter-century-long military struggle against capitalism, feudalism, and imperialism, which culminated in the triumph of the Revolution in 1949. In the words of the editors of *Hongqi* (No. 5, 1964): "Owing to the education and training received in the people's army, millions of ordinary workers and peasants and many students and other intellectuals of petty-bourgeois origin have gradually revolutionized themselves [in thinking and action] and become steadfast, politically conscious fighters and mainstays in revolution and construction." (The square brackets are in the original text.) The prolonged civil war in China combined with the war against the Japanese invaders thus fostered a vast growth in both the size and the maturity of the revolutionary forces, while a much shorter period of civil war and resistance to foreign invaders in the Soviet Union seriously weakened the revolutionary forces there. The result was that China, on the morrow of the Revolution, was much more richly endowed with revolutionary human material than Russia had been. Finally, in Lenin and Mao Tse-tung Russia and China were fortunate to have two of the greatest revolutionary geniuses of all time; but Lenin died before the process of constructing socialism had really begun, while Mao's leadership has already lasted more than two decades since the victory of the Revolution.

Both men were well aware of the enormous difficulty of the task that lay ahead after the overthrow of the old regime. In his "Report at the Second All-Russia Trade Union Congress" (January 20, 1919), Lenin said:

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The workers were never separated by a Great Wall of China from the old society. And they have preserved a good deal of the traditional mentality of capitalist society. The workers are building a new society without themselves having become new people, or cleansed of the filth of the old world; they are still standing up to their knees in that filth. We can only dream of cleaning the filth away. It would be utterly utopian to think this could be done all at once. It would be so utopian that in practice it would only postpone socialism to kingdom come.

No, that is not the way we intend to build socialism. We are building while still standing on the soil of capitalist society, combating all those weaknesses and shortcomings which also affect the working people and which tend to drag the proletariat down. There are many old separatist habits and customs of the small holder in this struggle, and we still feel the effects of the old maxim: "Every man for himself, and the devil take the hindmost." (*Collected Works,* Vol. 28, 424-425.)

Mao was even more explicit when he wrote, as the Peoples Liberation Army was about to win its final victories in March of 1949:

To win country-wide victory is only the first step in a long march of ten thousand *li*. Even if this step is worthy of pride, it is comparatively tiny; what will be more worthy of pride is yet to come. After several decades, the victory of the Chinese people's democratic revolution, viewed in retrospect, will seem like only a brief prologue in a long drama. A drama begins with a prologue, but the prologue is not the climax. The Chinese revolution is great, but the road after the revolution will be longer, the work greater and more arduous. (*Selected Works,* Vol. IV, p. 374.)

After only two decades we can see how right Mao was. The drama has continued to unfold, moving from one climax to another. Despite all its initial advantages, China has never been free of the danger of slipping back into the old forms and relations which for centuries had molded Chinese human nature. The old "ensemble of social relations" continued and still continues to exist in the minds and consciousness of hundreds of millions of Chinese. As Marx expressed it in *The Eighteenth Brumaire,* "The tradition of all the dead generations weighs like a nightmare on the brain of the living." (*Werke,* Vol. 8, p. 115.) To overcome this ineluctable fact—

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not to nationalize property or build heavy industry or raise material living standards, important though all these things are—is the central problem of the transition to socialism. And it was the Chinese revolutionaries under the inspired leadership of Mao Tse-tung who grasped and internalized this truth to the extent of making it the conscious basis of their revolutionizing practice.

This is not the occasion for an attempt to analyze this revolutionizing practice, nor do I have the knowledge and competence which would be required. What I wish to emphasize is that *for the first time* the problem has been fully recognized and correctly posed. Until that was done, there was not even a chance of finding a satisfactory solution.

It is as well to close on a note of caution. In politics, as in science, the first step in solving a problem is to recognize and pose it correctly. But the first step is usually a long way from the final solution, and when the problem is nothing less than changing human nature this *caveat* is doubly and triply relevant. Fortunately, Mao knows this better than anyone else, and we can hope that the knowledge will become a permanent part of his legacy to the Chinese people. Ultimate success or failure will probably not be known until all of us here tonight are long since gone and forgotten. Said Mao in 1967 at the height of the Cultural Revolution:

> The present Great Proletarian Cultural Revolution is only the first of its kind. In the future such revolutions must take place. . . . All Party members and the population at large must guard against believing . . . that everything will be fine after one, two, three, or four cultural revolutions. We must pay close attention, and we must not relax our vigilance. (Quoted in the concluding chapter of Jean Daubier, *Histoire de la révolution culturelle prolétarienne en Chine,* Paris, Maspero, 1970.)

All history, Marx said, is the continuous transformation of human nature. What is Mao telling us but that even after the overthrow of class domination the positive task of transforming human nature never ceases?

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THE FOREIGN EXPANSION OF U.S. BANKS

BY RICK WOLFF

Most discussions of the foreign economic expansion of U.S. capitalism focus on foreign investments and the multinational corporations. Judgments about the extent of U.S. imperialism and about the importance of foreign economic activities for the U.S. economy flow from these discussions. Yet the discussions rarely touch on the foreign economic activities of U.S. banks. For Marxists familiar with Lenin's emphasis on banks and finance capital within the process of capitalist imperialism, the lack of careful study of U.S. bank expansion is at least a serious omission.

This becomes evident in view of the rapid expansion (or rather, explosion) during recent decades of the world activities of U.S. banks. Between 1950 and 1970, for example, the number of foreign branches of U.S. banks increased fivefold compared to a far smaller 50 percent increase between 1918 and 1950. Similarly, the last two decades show at least a tenfold increase in the assets of those foreign branches.

In general, the available evidence presented below suggests the following four points:

(1) The dominant U.S. banks within a highly concentrated U.S. banking industry are also the banks that dominate the even more concentrated expansion of U.S. banking abroad.

Rick Wolff is Assistant Professor of Economics at City College of New York. He has also worked with AIM, the American Independent Movement, in New Haven, Connecticut.

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(2) Taken together, U.S. banks in general and those U.S. banks active abroad in particular command far more economic resources and power than the banks of any other nation.

(3) The rate of foreign expansion of U.S. banks has been remarkably rapid since 1945 and especially since the late 1950s.

(4) The proportion of deposits, loans, and earnings acquired through their foreign extensions by the major U.S. banks is a very large and rapidly increasing share of their total deposits, loans, and earnings.

Bank Concentration

The U.S. banking industry is highly concentrated. The most recent survey of commercial bank size indicated that among the 300 largest commercial banks in the United States—ranked by amount of deposits—the top 20 alone held over 52 percent of deposits.[1]* Another measure of relative bank size, the amount of trust assets held by banks, exhibits comparable concentration. Ranking the 100 largest U.S. commercial banks by their trust assets, the most comprehensive recent study showed that the top 19 accounted for over 50 percent of all trust assets held by the 100.[2] Most of the largest banks as measured by trust assets held were also the largest by deposits.

This same study of commercial bank trust activities also demonstrated the impressive interconnections between commercial bank managers and the managers of the major non-bank corporations in the U.S. To give some suggestive figures: the study found that 49 major commercial banks in 10 financial-center cities had the following: (a) interlocking directorates with 6,591 companies, and (b) 5 percent or more of outstanding stocks in each of 5,270 companies.[3] In addition to their general community of interests, the overlapping personnel of the major financial and non-financial U.S. corporations encourage considerable coordination and mutual support among them.

The foreign economic expansion of the largest U.S. commercial banks is both cause and result of their relative size within the U.S. banking industry. As we shall see below, expansion abroad has provided very large shares of total deposits

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* Notes appear at the end of the article.

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controlled by the internationally active U.S. banks. On the other hand, the size of the largest U.S. banks vis-à-vis the banks of any other nation have in all likelihood given U.S. banks an important margin of extra resources to penetrate foreign areas.

Consider the following: of the 500 largest banks in the non-communist world—ranked by deposits—187 are U.S.-owned in the United States. The second largest grouping is Japanese banks with 71. Germany is third with 37. The 13 largest U.S. banks control 35 percent of the deposits in the 50 largest world banks and over 15 percent of the deposits in the 500 largest. The three largest banks in the world—all of which are U.S. banks—control $60.3 billion in deposits. England's top three banks' deposits rank second with $29.8 billion, while the top three of any other country are considerably smaller yet.[4]

These larger U.S. banks sit at the pinnacle of a highly concentrated U.S. banking system. As a group and individually, these banks have greater economic resources than their counterparts anywhere else in the world. U.S. banks have used their strong economic position to promote the dramatic pace and breadth of U.S. bank expansion abroad since 1945.

Foreign Expansion

The foreign operations of U.S. banks take several distinct forms. While different, the forms complement one another within the overall context of U.S. bank expansion. Moreover, the changing proportions of the different forms provide useful evidence about the nature and evolution of that expansion.

The great expansion of U.S. banking abroad occurred after the Second World War. From 1945 to 1960, U.S. banks operated abroad chiefly to finance U.S. exports and, to a lesser degree, to service U.S. military installations abroad and U.S.-supported postwar reconstruction operations. Beginning in the late 1950s, the European return to convertibility of currency greatly facilitated international credit operations, just as European and Japanese output once again assumed significant proportions in international trade. Moreover, during the 1960s U.S. non-financial corporations accelerated their expansion throughout the world. In general, two closely interrelated trends gave the post-1945 period its crucial characteristics in terms of the expansion strategies

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of U.S. banks: (1) the supreme and highly concentrated military power of the U.S. over an ever wider geographic area, and (2) the worldwide extension and predominance of U.S. firms in exports and direct foreign investment.

In the uncertain international financial conditions of the first postwar decade, the predominant form of U.S. bank expansion abroad was the "correspondent" relationship with foreign banks. As the least costly and least legally encumbered arrangement, the correspondent relationship is still favored by U.S. banks whose anticipated gains do not warrant the greater costs of other forms of expansion.

The correspondent abroad of a U.S. bank usually functions as a financial partner across a wide range of banking transactions which may be initiated by either partner. The U.S. bank typically uses its correspondent relationships as the means for offering its U.S. customers full international banking facilities. However, as the pace of U.S. bank expansion quickened in response to opportunities for profitable foreign business, most of the largest U.S. banks found the correspondent relationship an increasingly inadequate intermediary between foreign business and themselves.

A more direct relationship to foreign business is the "representative office." In this case, a U.S. bank opens an office —not a bank—in a foreign country, usually with a small staff. The representative tries to develop "special relations" between his bank and a given foreign bank, thereby improving the U.S. bank's foreign services and its competitive standing. The representative will also seek to sell his bank's services and to solicit foreign deposits. For example, several U.S. banks maintain representative offices in Beirut, Lebanon, to attract the deposits of oil sheiks. In general, except where profit considerations or laws and regulations prohibit it, the representative offices have been precursors for what is now the major vehicle for U.S. bank operations abroad: foreign branches.

In general, U.S. bank operations abroad suffer relatively little discrimination compared to their local counterparts.[5] Within the framework of existing laws and policies, U.S. bank branches function as full members of foreign banking communities. As the accompanying statistics indicate, the foreign establishment of

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branches by U.S. banks has literally exploded since 1960. Tables 1 and 2 focus on the general size and geographic spread of that explosion. Table 3 (see p. 22) takes a more detailed look at U.S. bank expansion abroad and compares it to the much slower domestic expansion.

TABLE 1
U.S. BANK BRANCHES OUTSIDE THE U.S.

Region	*1918*	*1939*	*1950*	*1960*	*1969*
Latin America[a]	31	47	49	55[e]	235
Europe	26[c]	16	15	19	103
Africa	0	0	0	1	1
Near East	0	0	0	4	6
Far East	0	18	19[d]	23	77
U.S. Overseas Areas and Trust Territories[b]	4	8	12	22	38
Total	61	89	95	124	460

(a) Includes Western European dependencies.
(b) Canal Zone, Guam, Puerto Rico, Truk Islands, Virgin Islands. The Philippines are included under Far East.
(c) Includes 11 branches subsequently nationalized by the USSR.
(d) The increase from 1939 occurs despite the nationalization of 7 branches on the Chinese mainland.
(e) Excludes 21 branches nationalized by Cuba in 1960.
Source: Federal Reserve System, *Annual Reports* for the years indicated.

TABLE 2
ASSETS OF FOREIGN BRANCHES OF U.S. NATIONAL BANKS
(Billions of dollars)[a]

Year	*Assets*
1953	1.7
1956	1.3
1959	1.5
1962	2.0
1965	7.2
1968	16.0[b]

(a) Banks which are not National Banks also have foreign branches whose assets are not included in this table. However, between 1961 and 1967 the proportion of *all* foreign branches accounted for by National Banks rose from 76 to 96 percent by number. See the Comptroller of the Currency, *Annual Report, 1967,* p. 215.
(b) After 1966, figures include National Bank branches serving military facilities abroad.
Source: Comptroller of the Currency, *Annual Report, 1968,* p. 236.

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TABLE 3
ASSETS AND LIABILITIES OF U.S. BANKS[a]
(Billions of dollars)

	1964	*1965*	*1966*	*1967*	*1968*	*1969*
A. Overseas Branches						
1. Total liabilities	6.9	9.1	12.4	15.7	23.0	41.1
—total deposits	5.2	9.0	10.1	12.5	18.4	n.a.
2. Total assets	6.9	9.1	12.4	15.7	23.0	41.1
—loans	3.2	4.6	5.0	6.6	9.2	n.a.
—due from head offices & U.S. branches	n.a.	n.a.	3.7	4.1	6.1	14.3
B. U.S. Branches						
1. Total deposits	251.8	277.1	290.6	325.0	356.3	347.4[b]

(a) Includes only member banks of the Federal Reserve System.
(b) Annual rate as of September 1969.
n.a.: not available.
Sources: Part A. 1964-65, Sidney E. Rolfe, *The International Corporation* (Istanbul, International Chamber of Commerce: XXII Congress, June 1969), pp. 196-197; 1966, *Federal Reserve Bulletin,* 54 (August 1968), p. 696; 1967-68, *Federal Reserve Bulletin,* 55 (July 1969), p. 625; 1969, *New York Times* (September 4, 1970), p. 39.
Part B. *Federal Reserve Bulletin,* 55 (October 1969), pp. 792-793.

While the major portion of deposits in foreign branches of U.S. banks is concentrated in Europe—above all London—and is associated with the Eurodollar market, there has been a steady growth in deposits and loans by U.S. bank branches in every part of the world. Moreover, the rate of growth of deposits in foreign branches during recent years is many times greater than the growth of deposits at domestic branches in the United States.

Besides operating foreign branches, U.S. banks have also invested heavily in what the Federal Reserve System calls "foreign subsidiary banks." The word *subsidiary* is meant to convey the idea that the parent U.S. bank is for most practical purposes the decisive managerial influence. By 1970, U.S. banks controlled 44 subsidiary banks abroad (see Table 4, p. 23).

Several of these subsidiaries are major banks in their own region. For example, the Banca d'America e d'Italia, Italy's eleventh largest commercial bank, is owned (97 percent) by the

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TABLE 4
U.S. BANKS' FOREIGN SUBSIDIARY BANKS

Region	*Number*
Europe	19
Latin America	15
Africa	5
Near East	2
Canada	2
Far East	1
Total	44

Source: Federal Reserve, "Overseas Branches and Foreign Subsidiaries in Operation, December 31, 1969," mimeo.

Bank of America. Banca now has $1.3 billion in deposits and operates eighty-six branches throughout Italy. In 1957, when Bank of America purchased Banca, the latter operated 63 branches with $300 million in deposits.[6] Another example of a controlled subsidiary is Banco Mercantil y Agrícola de Venezuela, an operation of the Chase Manhattan Bank. Chase's interest, begun in 1962, now amounts to 49 percent of the Venezuelan bank's capital stock. Banco Mercantil operates ten branches in Caracas as well as six other branches in six other Venezuelan cities. With deposits in 1970 of over $130 million, Banco Mercantil is the third largest Venezuelan commercial bank.[7]

Lastly, beyond branch and subsidiary banks, U.S. banks have increasingly moved abroad by means of wholly owned special corporations based in the U.S., usually in New York. These so-called "Edge" or "Agreement" corporations are the chief means through which U.S. banks establish equity participations in financial and non-financial institutions abroad.[8] The rapid increase in this type of foreign banking activity is shown in Table 5 (see p. 24).

Most often, U.S. banks, through their Edge corporations, have invested in foreign banking institutions when branches were unable to provide certain kinds of financial services or were not obtainable for legal or other reasons. These investments have been made in existing or newly-established banking institutions. The purpose of investments in existing institutions has often been to create a special, close, and exclusive relationship to replace the former correspondent relationship in that area.

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TABLE 5
EDGE AND AGREEMENT CORPORATIONS

	1955	*1960*	*1965*	*1967*	*1969*
1. Number of such corporations[a]	7	15	41	51	68
2. Number of U.S. banks establishing such corporations	6	10	29	36	46[b]
3. Number of equity investments made by such corporations	12	32	260	359	n.a.

(a) The vast majority of these wholly-owned corporations are Edge type, e.g., 63 of 68 in 1969.
(b) This figure excludes the case of one Edge corporation, Allied Bank International, New York, established as a joint project by 17 U.S. banks. The figure does include two instances where two and three U.S. banks, respectively, established an Edge corporation. There are, of course, several cases where one U.S. bank has, mainly for legal reasons, established more than one Edge corporation.
n.a.: not available.
Source: Federal Reserve System documents.

As of 1967, over two thirds of all equity investments of these Edge corporations involved varying degrees of ownership of foreign banking institutions. While detailed information is very difficult to acquire in this area, some illustrative examples are possible. Chase Manhattan Bank holds at least a 15 percent interest in London's Standard Bank, England's sixth largest bank with deposits of over $3.6 billion. Explaining why Chase bought into Standard, David Rockefeller, Chase's President, said:

> The intimate contacts between Chase and Standard personnel not only provide us with a high level of intelligence about economic, political, and financial developments in Africa, but also enable poolings of the special talents and resources of both banks in developing marketing strategy and techniques to cope with changing circumstances in Africa and elsewhere.[9]

The First National City Bank of New York, through its Agreement corporation (International Banking Corporation), has 49 percent control of the French Banque Internationale de l'Afrique Occidentale, which in turn operates 44 branches in central and western Africa as well as in France. First National City also has a 40 percent interest in England's ninth largest bank, National and Grindlay's Bank Ltd. with over $1.6 billion in deposits and 292 offices, principally in the Middle East, South-

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ern Asia, Africa, and the United Kingdom. Bank of America has a one third interest in a Swiss bank holding company which operates several banks in West and Central Africa. Lastly, to select two smaller U.S. banks: the Mellon National Bank and Trust Company of Pittsburgh has at least a 25 percent interest in England's Bank of London and South America, the tenth largest bank in England, with over $1.6 billion in deposits; the Philadelphia National Bank has at least a 7.5 percent interest in Banque Worms et Cie, Paris, which ranks as France's fourteenth largest bank, with deposits of $427 million. Philadelphia National also holds an interest of at least 11 percent in Arbuthnot-Latham, one of the 16 acceptance houses in London.[10]

While such holdings via Edge corporations differ from subsidiary banks of U.S. banks in that they are usually *minority* participations, it seems to be a general rule, according to an official of the Federal Reserve System, that something over a 10 percent interest is all that is "required if the U.S. bank is to have a significant say in the management policy of the foreign institution."[11]

If we aggregate the number of representative offices, branches, subsidiary banks (with their branches) and Edge participations of more than 10 percent, we get some sense of the private banking empires administered by the U.S. banks active overseas. The biggest of these, First National City Bank of New York, offers its customers 633 offices for overseas banking, spread throughout 80 countries.[12]

This is by far the most extensive and comprehensive international banking organization functioning in the world today. It has no comparable rivals, except possibly the other two major U.S. banks, Bank of America and Chase Manhattan. While Barclay's Bank of London with its 1700 branches worldwide might be thought the equivalent of First National City Bank, this is not the case because Barclay's branches are heavily concentrated in former British empire territories and are not really worldwide. Moreover, Barclay's Bank had $4.8 billion in deposits at the end of 1969, while First National City had $19.1 billion. Such comparisons help to explain the January 11, 1971, announcement of the collaboration of the West German Com-

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merzbank, the French Crédit Lyonnais, and the Italian Banco di Roma to form Europe's largest bank with assets exceeding $21 billion and 3,000 branches. A similar logic likely explains the March 11, 1971, merger agreement between Japan's Daiichi Bank and Nippon Kangyo Bank (ranking sixth and eighth respectively) to form Japan's largest bank with total deposits of $9.2 billion.

Elaborate as these figures show the foreign banking activities of U.S. banks to be, the fastest growing kind of U.S. foreign bank expansion is of a different sort. While still of small size relative to investments in foreign bank institutions, U.S. bank investments—chiefly through their Edge corporations—in non-bank financial institutions and in non-financial institutions are growing rapidly (see Tables 6 and 7). U.S. banks have

TABLE 6
EQUITY INVESTMENTS OF EDGE, AGREEMENT CORPORATIONS
(Amounts in millions of dollars)

	Banking Institutions		*Other Financial Institutions**		*Non-financial Institutions*	
	Number	*Amount*	*Number*	*Amount*	*Number*	*Amount*
1955	7	1.2	5	2.7	—	—
1960	20	16.4	15	10.0	—	—
1963	46	44.9	79	23.0	18	1.1
1967	104	162.9	202	78.8	53	5.7

* Includes equipment-leasing and investment-research firms.
Source: Federal Reserve System documents.

TABLE 7
EQUITY INVESTMENTS OF EDGE, AGREEMENT CORPORATIONS
(Amounts in millions of dollars)

	1955		*1960*		*1963*		*1967*	
Area selected	*No.*	*Amount*	*No.*	*Amount*	*No.*	*Amount*	*No.*	*Amount*
Europe	6	0.7	12	12.8	42	24.5	103	91.0
Latin America	2	0.7	3	1.7	26	14.8	100	61.9
Africa	1	0.5	7	2.8	26	8.5	44	37.6
Bahamas, Bermuda and Canada	1	1.0	2	6.7	8	16.0	23	34.7

Source: Federal Reserve System documents.

varying degrees of majority and minority interests in hundreds of investment and security underwriting firms, equipment-leas-

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ing firms, investment-research and advisory firms, and management-consultant firms. Since 1963, equity investments by Edge corporations in non-financial companies have begun a rapid increase as a proportion of all equity investments, although their absolute dollar value is still small. Investments have been made in every conceivable type of production company, with no particular pattern of investments in evidence, except that most of these investments have been made in Latin America.

To summarize, it is important to note the variety of forms taken by U.S. bank expansion: correspondent relationships, representative offices, branches, controlled subsidiaries, and Edge and Agreement corporations accumulating equity investments in every type of financial and, more recently, non-financial enterprise.

Concentration of Foreign Banking

Three U.S. banks clearly command the field in terms of foreign expansion. Of these, the First National City Bank, New York, is the preeminent international U.S. bank. The other two are the Chase Manhattan Bank (National Association) of New York and the Bank of America (National Trust and Savings Association) of San Francisco. Together, these three banks maintained 367 of the total of 460 foreign branches of U.S. banks, or nearly 80 percent at the end of 1969. First National City Bank alone operated 214 branches in 49 countries and territories.[13] The branches of the three big banks together accounted for around 70 percent of all deposits in foreign branches of U.S. banks.[14]

Beyond this preeminence in branch banking, the three big banks together owned 27 of the 44 controlled foreign subsidiary banks at the end of 1969.[15] The unavailability of disaggregated data on Edge and Agreement corporations' assets and liabilities makes it impossible to assess the role of the three banks in this field, although most observers agree it is very significant.

The second rank of U.S. banks active abroad encompasses six major New York City banks.[16] While their branch operations were modest—together they owned only 21 of 460 in 1969—they constitute an important group because of their other

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international operations. In particular, they maintain a large number of representative offices and through their Edge corporations are very active in equity participations in non-bank financial institutions all over the world. As of the end of 1967, these six banks accounted for about 30 percent of foreign loans and deposits at U.S. offices of U.S. banks.[17]

The third rank of U.S. banks active internationally includes eight banks outside New York.[18] Together they accounted for 33 of 460 foreign branches in 1969. They also have scattered other operations around the world.

If we group the 17 banks listed above, their share of the foreign bank business of the U.S. is clearly predominant. They owned 422 out of 460 foreign branches, 39 out of 44 controlled foreign subsidiary banks and 31 of 68 Edge and Agreement corporations. The Federal Reserve estimates that, in general, this group accounts for at least 80 percent of the international banking business of the U.S.

The largest 25 commercial banks in the U.S.—ranked by deposits—included all 17 of the U.S. banks accounting for the bulk of U.S. bank activity abroad.[19] Thus, the few banks that predominate in the highly concentrated U.S. bank industry *also* predominate in an even more concentrated international field.

Moreover, as a very few banks loom large in U.S. foreign bank business, so that business looms very large as a proportion of the deposits and earnings of the banks in question. For example, as of August 19, 1970, the proportion of foreign branch deposits in the total deposits of 8 major, internationally active banks ranged from 26 percent to over 46 percent (see Table 8, p. 29). Further, the available evidence indicates that this proportion has been rising steadily since the early 1960s for all major U.S. banks active abroad.[20] The rapidly growing Eurodollar market together with credit limitations at home have accelerated this development.

General information is not publicly available on the contribution of profits earned abroad to total profits of U.S. commercial banks. However, some specific bits of evidence suggest how important foreign-earned profits are for at least some U.S. banks. In 1964, Chase Manhattan derived 14 percent of its net

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TABLE 8
DEPOSITS IN DOMESTIC AND FOREIGN BRANCHES

	Domestic Branches	*Foreign Branches*	*Foreign as Percent of All Deposits*
		(*Millions of dollars*)	
Chase Manhattan	8,734	5,725	39.6
First National City (N.Y.)	8,985	7,600	45.8
Chemical	5,009	1,729	25.7
Morgan Guaranty Trust	3,483	3,012	46.4
Manufacturers Hanover	5,207	1,846	26.2
Irving Trust	1,934	1,169	37.6
Bankers Trust	3,421	2,367	40.9
Marine Midland Grace	1,190	657	35.6

Source: New York Clearing House Statement for week ending August 19, 1970, published in the *New York Times* (August 21, 1970), p. 51. Data for the Bank of America were not available.

profits from foreign business. From 1957 to 1967, the same proportion for the Manufacturers Hanover Bank rose from 10 to 25 percent.[21] For 1969, Bank of America indicated that about 20 percent of its net after-tax profits came from its foreign operations.[22] There are general indications that such proportions are typical for the major U.S. banks active abroad.[23]

By their size, their spread, and their intimate connections with the major U.S. non-financial corporations, the largest U.S. banks can influence the pace and the directions of economic development wherever they move. They exert such influence in the way they gather deposits, offer loans, affect local credit conditions and collect crucial intelligence on the local economy. The ability to exert this influence has grown as rapidly as the U.S. banks' foreign expansion.

NOTES

1. See *The American Banker* (July 31, 1970), p. 133. Data are as of June 30, 1970.
2. See U.S. Congress, Subcommittee on Domestic Finance of the House Committee on Currency and Banking, *Commercial Banks and Their Trust Activities*, Vol. 1 (Washington, July 8, 1968), pp. 78 ff. Data are as of November-December, 1967. These banks do not, of course, own the stocks and bonds held in trust. Rather, they manage these trusts, buying and selling and otherwise adjusting their clients' portfolios. It is likely that the loan facilities together with the trust holdings of the major U.S. banks give them considerable influence, if not control, over much of U.S. industry, as suggested in note 3.

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3. *Ibid.*, p. 540. Disaggregating these figures, it was found that the 49 banks held 768 interlocking directorships with 286 of the 500 largest industrial corporations in the U.S., 146 interlocks with 29 of the 50 largest insurance companies and 86 interlocks with 22 of the largest 50 utilities. *Ibid.*, pp. 93 ff.
4. All data on the 500 largest were taken from *The American Banker* (July 31, 1970), pp. 73-81, 152-153. Data are as of June 30, 1970.
5. See U.S. Congress, Joint Economic Committee, "Foreign Government Restraints on U.S. Bank Operations Abroad" (Washington, 1967), p. 37.
6. Mitchell Gordon, "Colossus of the West," *Barron's Magazine* (July 13, 1970), p. 9.
7. *Moody's Bank and Financial Manual* (1970); and *The American Banker* (July 31, 1970).
8. For a thorough discussion of the evolution and nature of these Edge corporations, see T. M. Farley, "The Edge Act and U.S. International Banking and Finance" (Brown Brothers, Harriman, New York, May 1962).
9. Interview with David Rockefeller in *The Banker* (London), Vol. 117:501 (November 1967), p. 918.
10. Data on these equity holdings derived from Federal Reserve documents; Robert A. Bennett's articles in *The American Banker,* "Banking and Finance in the Pacific Basin" (May, June 1970); *The American Banker* (July 31, 1970); and C. B. Axford, "Growth in Multinational Banking," *Burroughs Clearing House,* 54 (November 1969).
11. See Frederick R. Dahl, "International Operations of U.S. Banks," *Law and Contemporary Problems,* 32 (Winter, 1967), p. 111. Mr. Dahl is an official of the Federal Reserve System's regulatory and supervisory division.
12. See *Bankers Monthly* (April 15, 1970).
13. Federal Reserve System, "Overseas Branches and Foreign Subsidiaries in Operation Dec. 31, 1969."
14. My estimate based on Federal Reserve data and figures in *Moody's Bank and Financial Manual* (New York, April 1970).
15. Federal Reserve System, "Overseas Branches . . ."
16. Manufacturers Hanover Trust Company, Morgan Guaranty Trust Company, Chemical Bank, Bankers Trust Company, Irving Trust Company and Marine Midland Grace Trust Company.
17. Federal Reserve estimate as of the end of 1967.
18. The First National Bank of Boston; Continental Illinois National Bank and Trust Company, Chicago; The First National Bank of Chicago; Mellon National Bank and Trust Company, Pittburgh; The Philadelphia National Bank; Crocker-Citizens National Bank, San Francisco; Wells-Fargo Bank (National Association), San Francisco; and the United California Bank, Los Angeles.
19. *The American Banker* (July 31, 1970), p. 133.
20. See data listed separately for each bank in *Moody's Bank and Financial Manual* (1970), pp. 403, 560, 577, 603, 678, 715, 718, 723.
21. See Jeremy Main, "The First Real International Bankers," *Fortune,* 76 (December 1967), pp. 143-144.
22. Gordon, "Colossus of the West," p. 9.
23. See note 11, p. 105.

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MODERN CAPITALISM AND THE STATE

The following articles present two views of Ralph Miliband, *The State in Capitalist Society* (New York: Basic Books, 1970. 292 pp., $6.95).

HOW CAPITALISM RULES

By Alan Stone

While Marxist attempts to describe the economy of the modern capitalist system have grown increasingly sophisticated, until the publication of Ralph Miliband's *The State in Capitalist Society* conceptions of the political system in capitalist society have not advanced since the early and incomplete formulations of Marx and Lenin. Yet, no one can possibly accept as an adequate explanation of the state's role under capitalism Lenin's assertion in *State and Revolution* that the capitalist state is simply the "organ of oppression of one class by another." The capitalist state, indeed, engages in an enormous number of activities, from granting shipping subsidies to banning cigarette commercials on television and radio, most of which have no readily perceivable connection with the "oppression of one class by another." Nor can the classical Marxist formulation even explain what has become a central preoccupation of political

Alan Stone is Assistant Professor of Political Science at Rutgers University and is currently engaged in preparing a book on political power and public policy in America.

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decision-makers in capitalist society—the use of fiscal and monetary policies to manage the economy.

Prior attempts to remedy the transparent defects of the classical Marxist theory of the capitalist state are equally unsatisfactory. For example, Anna Rochester's *Rulers of America* and Victor Perlo's *Empire of High Finance* developed detailed descriptions of the interlocking relationships between industrial and financial executives and entrepreneurs, which purport to show that certain financial ("Wall Street") interest groups run American government. Yet this conspiracy theory is transparently wrong: the very complexity of American government and the large number of people who make or participate in the making of important decisions militate against acceptance of such a "conspiracy" theory.

Partially as a result of these deficient formulations, Marxism has not been treated seriously as a theory of political power in capitalist society, a subject of great contention in American political sociology between the followers of C. Wright Mills, who argue that a triumvirate of political, military, and business elites rules capitalist society, and the predominating pluralists who assert that a multitude of groups vie for power, with the state acting as an impartial umpire, sometimes rewarding one group, sometimes another. With the publication of Miliband's important and impressive work, Marxism is at last effectively coping with the central problem of political sociology.

Miliband's central thesis is that, while the capitalist class does not govern, it effectively rules. The capitalist class rules because in a capitalist society the wellbeing of corporations and financial institutions is—and, indeed, must be—perceived as the equivalent of the national interest. President Eisenhower's first Secretary of Defense, Charles Wilson, was simply stating a political truism when he proclaimed that "what is good for General Motors is good for the country." The critical place of giant business firms in the economy, coupled with the fact that public officials cannot permit economic disruption, compels public officials to equate the public good with the economic wellbeing of corporations. The government cannot afford to institute policies which jeopardize business confidence and well-

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being, and the state, accordingly, must pursue fiscal, monetary, and other policies which promote the probability of business prosperity and produce a state of confidence which encourages new investment. In a word, there is such perceived mutuality of interest between the political executive and the key executives of the large corporations that the latter's veto power is virtually tantamount to the exercise of political power in the areas of business concern.

Short of changing the economic system, the government in capitalist society must, therefore, serve capitalist interests in several respects. Negatively, the state protects capitalism by repressing anticapitalists by such direct methods as the outlawry of anticapitalist parties, or the harassment of such parties, or electoral manipulation to prevent left-wing parties from being on the ballot, or the use of repressive trials to quell left-wing dissenters and, more importantly, to frighten away other prospective dissenters. "Governments, in other words, are deeply concerned . . . that the 'democratic process' should operate within a framework in which left-wing dissent plays as weak a role as possible." (p. 83) That all of the foregoing methods have at various times been employed in America is scarcely open to question.

The structure of bureaucracy also operates to maintain the status quo, and hence, capitalism. Bureaucrats are specialists at sitting still and not effecting change, and their ideological conservatism is not due to chance. Loyalty oaths and recruiting and advancement procedures for upper-level civil servants assure a "spectrum of thought of which strong conservatism forms one extreme and weak 'reformism' the other." (pp. 120-124) Further, government and business form cozy relationships which are due to the links between business sectors and the bureaucracies which are supposed to regulate them. Outside aspirations of civil servants and interchanging personnel are the principal facets of this relationship. Businessmen increasingly find their way into the state system, and civil servants increasingly find their way into corporate life. (pp. 124-127) Finally, if a maverick manages to filter through the recruitment process and loyalty oaths and avoid the symbiotic relationship between business and government, "there remains the vast weight of

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pressure which organized business is able to apply upon recalcitrant or hostile officials." (p. 128) Thus, the capitalistic ambience within which the civil service operates tends to produce a procapitalist bias within the bureaucracy.

But why have there been few serious challenges to capitalist domination of the political structure in the advanced capitalist countries? Miliband argues that socialization processes have been far more effective means of preventing such challenges than oppression. And he finds that the capitalist class dominates virtually all the socializing institutions in our society.

First, of course, capitalists own the organs of mass communication and shape expression accordingly; socialist viewpoints are almost entirely excluded from them. (pp. 219-238) Again, capitalist advertising tends to associate not only products but the entire free-enterprise system with socially approved values and norms and, indeed, with happiness. (pp. 216-218) Against these resources, anticapitalist forces are relatively helpless and their views are portrayed in the capitalist sources of communication as "irrelevant eccentricities, which serious and reasonable people may dismiss as of no consequence." (p. 238) Scoffing and ridicule are often far more effective ways of throttling anticapitalist thought than outright suppression.

Next, Miliband charges that the educational system, from the lower grades to graduate schools, inculcates capitalist values in its students and confirms the class destiny and status of most students. At the lowest school levels, lower-class students are given educations inferior to middle- and upper-class children. "And the very fact that some working-class children are able to surmount these handicaps serves to foster the notion that those who do not are themselves, because of their own unfitness, the architects of their own lowly fate, and that their situation is of their own making." (p. 241) Again, witchhunts, loyalty oaths, and the attendant apparatus of fear deter recruitment of teachers with remotely controversial or "eccentric" points of view and deter the teaching of such views. (p. 245)

Universities, which are heavily dependent upon state and business financing, cannot afford to permit social science teaching which affronts capitalism. (A few "eccentrics" are, however,

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permitted to show that there is freedom of expression.) Further, academics are increasingly employed as consultants by business and government, and such academics thereby have developed a community of interest with businessmen and government policies. (p. 250) Next, Miliband observes that most schools are geared to supplying personnel for business needs: business schools and law schools are among the more conspicuous examples of this process. Not only are such students taught management skills, but also "the ideology, values and purpose of capitalist enterprise." (p. 253) This is done not through a conspiracy, but because most teachers are themselves the products of this consensus in favor of capitalism. (pp. 250-259) But even when teachers attack the status quo at universities, the economic and social system is not called into question; rather, the emphasis is on how to solve such problems within the system's framework and not on socialist alternatives. Such safe controversy deflects "attention from the greatest of all 'problems,' namely that here is a social order governed by the search for private profit." (p. 261)

Miliband has convincingly shown why the state is ruled by capitalism, even if it is not governed by capitalists. He convincingly shows that the governmental and nongovernmental institutions within modern capitalistic societies strongly favor the preservation of that system.

It is in no way intended to detract from Miliband's substantial achievement to observe that while his analysis clearly shows what policies are effectively *excluded* from consideration by those who govern in capitalist society, he does not seek to show us why specific policy alternatives are, in fact, followed. Why, for example, has America followed certain Cold War policies in foreign policy rather than others? Why are certain policies followed which are detrimental to certain firms or industries (e.g., the termination of cigarette advertising on radio and television)? What are the real purposes and effects of regulatory legislation and administration? In a word, Miliband's ground-breaking analysis must be expanded so that a political-economic theory is able to explain and categorize all the various policy outputs of the state under modern capitalism.

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It is beyond the scope of a review of this kind to do more than make a few pertinent suggestions, but there have been many case studies which very ably explain certain categories of policies. For example, historian Gabriel Kolko has shown that much Progressive Era legislation was enacted because important economic interests sought to "utilize the power of the federal government to solve internal economic problems which could not otherwise be solved by voluntary or non-political means."* Again, political scientist Theodore Lowi has developed a classificatory scheme for policies by which one can predict with reasonable accuracy the kinds of groups which are contesting policy alternatives: when, for example, does one firm battle another or one industry battle another, and when is most of the capitalist class unified on proposed policy?

A key future task is the integration of the findings of these and other studies with Miliband's splendid analysis so that we may, finally, be able to explain adequately the state's conduct under modern capitalism.

RULING ELITE THEORY VS. MARXIST CLASS ANALYSIS

By Isaac Balbus

The social and political conflicts which have shaken the advanced capitalist societies in recent years are entirely inexplicable within the framework of a pluralist political theory which

Isaac Balbus is Assistant Professor of Politics at Princeton University.

* *Railroads and Regulation* (Princeton: Princeton University Press, 1965), p. 239. See also Kolko's *The Triumph of Conservatism* (New York: Free Press, 1963).

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has consistently celebrated the "end of ideology" and the "democratic stability" which results from a friendly competition among members of the political elite. Because the ascendence of pluralism to the status of academic orthodoxy was predicated on its claim to have "refuted" Marx, these anomalous events call not only for a reappraisal of pluralism but also for a re-examination of the utility of Marxist class analysis. The great importance of Ralph Miliband's *The State in Capitalist Society* lies in the fact that it heeds both calls: it offers both a critique of pluralism and a re-evaluation of Marxist theory. As a critique of pluralism it is an undisputed success; as a reappraisal of Marxist class analysis, however, it is a decided disappointment.

Miliband is at his best in debunking the defining myths of pluralist doctrine; it is a testament to the breadth and scope of his work that there is scarcely one which he does not confront and effectively dispose of. The myth of the "neutrality" of the democratic state before the forces which beat against it, the myth of "countervailing powers" in which different interests have roughly equal power and opportunity to organize, the myth of "managerialism" which asserts that the "separation of ownership and control" has fundamentally transformed the private character of modern capitalism and endowed it with a public purpose, and many others, are all shown to be, in Miliband's words, "obfuscations of reality." Many of these criticisms, it is true, have been made before, but rarely together in one book and rarely on the basis of such an impressive wealth of comparative data. Indeed, after some 300 pages the reader is likely to conclude, with Miliband, that "the pluralist-democratic view of society, of politics, and of the state in regard to the countries of advanced capitalism, is in all essentials wrong." (p. 4) He would, I think, be less likely to conclude, unfortunately, that Professor Miliband has provided a satisfactory Marxist alternative interpretation.

The fundamental problem to which Marx's sociology was addressed was the systematic explanation of structural changes generated by the very inner working of capitalist societies themselves. That is to say, for Marx the concept of "class"

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was inseparably linked to a dialectical theory of social change; "class" was not primarily a category for describing how a particular capitalist society looked at any given point in time, but rather above all an analytic tool for elucidating the sources of structural change within the capitalist system, a theory of the direction in which capitalist societies were developing. This is why the Marxist model of capitalist society is normally a two-class model: the two classes represent the two sides of a fundamental contradiction which is assumed to be the source of conflicts sufficiently important to produce significant structural change. In short, the assumption of two classes—a superordinate class and a subordinate class—defined in dialectical opposition to each other is the starting point for Marx's theory of social change and revolution.

This concern with the dialectics of conflict and change sharply differentiates Marxist class analysis from two modes of social analysis which are often wrongly assumed to be variants of class analysis: ruling elite or power elite analysis on the one hand and social stratification analysis on the other. Elite theory, the roots of which may be traced to the works of such anti-Marxists as Mosca and Pareto, is at bottom a theory of political inertia, an analysis of the tendency for political power to devolve into the hands of a small, cohesive, and relatively closed elite which, notwithstanding democratic "rules of the game," controls all decisions of major importance, is virtually invulnerable to opposition, and is capable of forestalling any changes which are potentially threatening to its monopoly of power. Whereas Marxist class analysis assumes that major political events are best understood as a product of a conflict between two opposing interests—an interest in the preservation of existing power relationships and an interest in the modification or destruction of existing power relationships—elite analysis recognizes only the interest of the elite in maintaining the status quo. In this sense elite theory is, as Dahrendorf has noted, a "one-class" theory (which on the Marxist definition of "class" is of course a contradiction in terms) the problem of political explanation is reduced to a virtually exclusive focus on the elite, and non-elites are not considered as independent operative forces but are rather relegated to the status of a residual

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category such as "the rest of the population" or "the masses."

Social stratification analysis is also based on a concept of "class" which is antithetical to Marxist usage; and, like ruling elite analysis, it offers a static picture of how a given society looks at any point in time rather than a theory of social change. Briefly, the social stratification approach to "community power" holds that political power is a direct function of social class, "class" being understood in terms of position within a system of hierarchical gradations based on income, status, self-ranking, etc. This of course is precisely the way in which the majority of American sociologists define "class." Whereas for Marx the criteria of class position were *opposite* attributes and opposing interests, for the "social stratificationists" the criterion of class position is the individual's relative share of the *same* attribute. Classifications based on this gradation concept of class are thus undertaken with a view to *describing* a given society along a particular dimension, not with a view to developing a theory of structural conflict and change based on the assumption of contradictory interests.

The elite and stratification approaches to community power, although logically distinct, tended to merge in the literature on community power during the generation preceding the pluralist ascendency. Ruling elite theory itself is not tied to a specific conception of the composition of the governing elite; when wedded to social stratification theory, however, it yields the proposition that a single, *socioeconomic* elite rules, or wields decisive political power within American society. It is probably fair to say that the pluralist approach to community power represented above all an effort to refute this proposition and to replace it with the theory that a plurality of elites, differing radically in terms of their socioeconomic composition, wields power within the American system. At any rate, this factual disagreement between elite-stratificationists and pluralists over the nature and composition of the elite—which has formed the basis for the major academic controversies concerning "community power" over the past two decades—should not be allowed to obscure the decisive commonality which is shared by the two approaches and which divides them equally from Marxist class analysis: both agree that elites and the interac-

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tions among them constitute the proper theoretical focal point for the explanation of political behavior, and therefore neither is able to develop a theory of social and political change.

In the case of elite-stratification theorists, their failure to provide a theory of social change is reflected in the serious inadequacies of their interpretations of actual social and political changes within capitalist societies over the past several generations. Since elite theorists are unable to conceive of social change as a product of a structurally generated conflict between "elite" and "non-elite," but rather are above all interested in shoring up the descriptive proposition that an elite does in fact rule, all social change is generally interpreted as being unimportant, unthreatening to the elite, or even strengthening its dominant position. As the pluralists have correctly argued, this interpretation of social and political change implies a non-falsifiable theory, since no empirical evidence of social or political changes could possibly be brought to bear which would refute the proposition that an elite rules. The abandonment of dialectical analysis also accounts for the profound pessimism of elite theorists such as C. Wright Mills concerning the potential for the development of a radical movement within American society. Since he failed to postulate any structurally generated contradiction between the "elite" and "non-elites," but rather juxtaposed an apathetic "mass" against an all-powerful elite, Mills was forced to portray an essentially "closed system," a system bereft of any structural sources for its own transformation. Much as the failure of the nineteenth century utopian socialists to develop a dialectical theory forced them to revert to idealism and construct utopian projections which had little grounding in empirical reality, Mills was forced to look to intellectuals and new ideologies created by them as the only (and fragile) hope for social change.

The distinctions we have been making between Marxist class analysis and elite-stratification theory are essential to an appreciation of the difficulties in Professor Miliband's analysis of the state in capitalist society. Although ostensibly a class analysis of advanced capitalist systems, on close examination it becomes clear that what is being offered is not class analysis at all but rather yet another, if highly sophisticated, version of

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elite-stratification theory. The result is a static analysis of capitalist societies which shares many of the difficulties in explaining, interpreting, and anticipating social and political change which we have attributed to earlier elite theorists like Mills.

Miliband's central thesis, it is true, is stated in the unmistakable language of Marxist class analysis. Thus he asserts:

> The economic and political life of capitalist societies is *primarily* determined by the relationship, born of the capitalist mode of production, between these two classes—the class which on the one hand owns and controls, and the working class on the other. Here are still the social forces whose confrontation most powerfully shapes the social climate and political system of advanced capitalism. (p. 16)

Here the concept of class is employed according to the logic of the Marxist model: Miliband assumes for analytic purposes the existence of two classes, defined in dialectical opposition to each other, whose conflict and confrontation determines the social and political dynamics of the capitalist system. Given this starting point, one would expect that subsequent chapters would explore in detail the precise interests of *both* classes, the conditions under which these interests become manifest, and the kinds of changes which conflicts between them have already produced and are likely to produce in the future. Instead, the two-class model—and hence the focus on conflict and change—is quickly abandoned, and the following seven chapters are devoted almost exclusively to an analysis of the internal composition of the dominant class and the means by which it legitimates its rule.

Chapters two through five examine with great care the fundamental interests which state officials—both elected representatives and members of the bureaucracy—share with economic elites in the advanced capitalist societies, an examination which leads the author to conclude that a ruling class does in fact exist. On close inspection, however, it is not at all clear whether the evidence presented is always relevant to a determination of whether in fact it is a *class* interest which they share. Thus, data which indicate that the distribution of income

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in the advanced capitalist societies remains as skewed as ever and that social mobility is as limited as ever, which Professor Miliband uses to demonstrate the existence of a dominant economic class, are strictly speaking data about the pattern of social stratification in advanced capitalist societies rather than data about their class structure. Similarly, Miliband's careful and convincing documentation that the economic elite and the state elite are largely recruited from the same socioeconomic stratum —they have both been recruited from wealthy families, are both well-educated, know the same people, etc.—is a documentation which does not even speak to the problem of specifying their common class interest in opposition to another class. In other words, in demonstrating the existence of a "ruling class," Miliband has reverted to a social stratification or gradation concept of "class" antithetical to the Marxist dichotomic concept; the criterion of class formation, in short, is no longer an attribute or interest held in opposition to another class, but rather the individual's place along a scheme of hierarchical gradations. This is suggested by Professor Miliband's undifferentiated application of the term "class" to both professional people (part of the "middle class") and the owners and managers of large-scale enterprises (the "upper class"), by his use of the phrase "dominant or ruling class*es*" (emphasis added), and by his statement that the state elite is characterized by "middle *and* upper class predominance" (emphasis added).

Given this gradation concept of "class," it of course makes sense, for example, to place (as Miliband does) both business and military leaders in the same class, but the weakness of this formulation is a lack of clarity as to the precise interest which they share in common and in opposition to a subordinate class. By abandoning the dichotomic, dialectical concept of "class" in favor of the social stratification concept, Professor Miliband is able to demonstrate the existence of a ruling elite, but in so doing he pays the price which all ruling elite theorists must pay: since the ruling class is not defined in terms of a contradictory relationship with a subordinate class, the analysis which results is not at all a theory of structural conflicts and changes but rather a static picture of capitalist society.

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The static, descriptive nature of Miliband's analysis is perhaps most apparent in his examination of the "process of legitimation," or political socialization, in the advanced capitalist societies. Since he has abandoned the dialectical, two-class model in favor of a virtually exclusive focus on the elite and its interests, the process of political socialization can only be conceptualized as a process through which the elite legitimates, preserves, and augments its power. For Marx, the socialization process embodies the central contradiction of capitalist societies and is thus always a two-fold process: capitalist society by its very logic at one and the same time produces superordinate class consciousness *and* subordinate class consciousness, and it is therefore precisely the socialization process which serves as the "transmission belt" through which the underlying societal contradiction—the "motor"—operates to produce conflict and structural change. Thus, according to Marx, the very social conditions of factory production—conditions imposed on the basis of bourgeois class interests—would serve to socialize the worker into a collective, cooperative ethos which would ultimately serve to undermine the individualistic, competitive bourgeois ethos and indeed the capitalist system itself. Miliband, however, fails to examine any structural contradictions in the advanced capitalist societies which might produce such a subversive ideology on the part of the subordinate class. Indeed, he concludes his review of the various agents of "legitimation" by stating boldly that "capitalism as an economic and social system tends to produce in itself, by its very existence, the conditions of its legitimation in the subordinate classes, and in other classes as well." (p. 262) The system, in other words, is closed; and although Miliband at several points attempts to qualify the static implications of this analysis of the process of "legitimation," he nevertheless fails to suggest any structural factors which militate against closure and work toward societal transformation.

The university system, for example, is conceptualized by Miliband as yet another instrument of elite rule, but surely there are forces within that system which systematically produce opposition, rather than mere acquiescence, to the capitalist system. If not, how could one possibly begin to explain what many feel is the most important recent political development in

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the advanced industrial societies, the student rebellions over the past five or six years? Surprisingly, Miliband has virtually nothing to say about this development, even though his book was published in 1969. Perhaps this omission is not so surprising after all, however, in light of the fact that there is little or nothing in his analysis of advanced capitalist societies which would have led one to expect or predict the emergence of student rebellions. Having abandoned Marxist class analysis, which postulates a contradictory system, in favor of ruling elite analysis, which postulates a closed system, Miliband has no basis on which to anticipate this or any other significant change within advanced capitalist societies.

The difficulty which a ruling elite perspective creates for handling the problem of social and political change is also apparent in the interpretations of other changes within capitalist systems advanced by Miliband. Increasing trade union strength does not serve as an example of systemic change; indeed, it simply reflects a minor "concession" paid by the elite which only serves to strengthen elite rule. The advance of civil liberties may "help to mitigate the form and content of class domination," but "this mitigating factor does not abolish class rule and even serves, at a price, to guarantee it." (p. 266) Increasingly large public sectors do not constitute a transformation of the capitalist system, since the system remains *"mainly"* one of private ownership and control. The growth of military power and the importance of the military establishment have not *significantly* affected the class character of advanced capitalist systems, since "military men have *mostly* had to deal with politicians and governments whose outlook and purposes have not been *radically* different from their own." (p. 135) The accession to power of Labor or Popular Front governments does not alter the class basis of the system, since these governments have never posed a "*serious* challenge" to the capitalist system. And so on. As the nature of his language makes clear, Miliband never specifies precisely what changes *would* constitute a transformation of the capitalist system; all social, economic, and political change is interpreted as contributing to the perpetuation of elite rule, and the theory of elite rule therefore becomes non-falsifiable.

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The great weakness of Professor Miliband's book, then, is a failing which it shares with all ruling elite theories: an inability to explain and anticipate social and political change, due to an abandonment of the Marxist dialectical model of class. After eight chapters which focus exclusively on the forces of political inertia and perpetuation of elite rule, the reader is understandably skeptical when he arrives at the concluding paragraph of Miliband's final chapter:

> Sooner or later, and despite the immense obstacles on the way, the working class and its allies in other classes will acquire that [ruling] faculty. When they do, the socialist society they will create will not require the establishment of an all powerful state on the ruins of the old. On the contrary, their faculty of "ruling the nation" will for the first time in history enable them to bring into being an authentically democratic order, a truly free society of self-governing men and women, in which, as Marx put it, the state will be converted from an organ superimposed upon society to one completely subordinated to it. (p. 277)

In the light of an analysis of a capitalist system bereft of structural forces which work toward its own transformation, this conclusion has a ring as utopian as the projections of the utopian socialists which Marx so contemptuously dismissed. Miliband simply has not provided the social analysis which might serve to justify his optimism. The neglect of dialectical class analysis, in short, forces him to take refuge in a flight into idealism which is no more convincing than that of the utopian socialists of an earlier era.

This is not the first work by a serious and highly respected thinker on the Left in which a self-proclaimed Marxist class analysis turns out at bottom to be yet another variant of ruling elite analysis, and I think it is worth speculating as to the reason for this pattern. My contention is that this route from class analysis to elite theory is inevitable if one continues to identify the traditional working class—the blue collar or factory worker—as the most important element of the subordinate class of advanced industrial societies. It is a simple fact that a class analysis based on the traditional "worker" as the sole or even main incumbent of the subordinate class position explains little of the dynamics of an advanced capitalist society in which

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the "worker" is becoming an increasingly less numerous and less strategic element in the total work force. Marxists who for political or ideological purposes continue to equate "blue-collar worker" with "subordinate class" are thus forced in their analytic work either to abandon the Marxist two-class model and revert to a static ruling elite model or else to remain faithful to the logic of the two-class model yet be in a position of being utterly unable to explain or anticipate major changes within the capitalist system. The fundamental challenge, of course, is to remain faithful to the dialectical logic of the two-class model and at the same time to redefine the standard criteria of subordinate class formation in such a way as to develop a satisfactory theory of structural changes within advanced capitalism. Such a redefinition might well be based on Marx's own criterion of the production of alienated labor, including intellectual labor. On this criterion students and intellectuals could conceivably be considered an increasingly important element of the subordinate class of advanced capitalist societies, an assumption which well might prove fruitful for the explanation of what appears to be, as I have said, the single most important recent political change which has taken place within these societies: the emergence of a revolutionary student Left.

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A RESPONSE TO "POLITICAL ECONOMY OF JUNK"

I would make several comments on Sol Yurick's article, "The Political Economy of Junk," in the December 1970 MR. I have no quarrel with his basic thesis that the current spread of, and alarm over, drug addiction must be viewed in the context of the political and economic system from which it springs. I think, though, that Mr. Yurick depicts its genesis too much as a conscious, deliberate act of Nixon or "the ruling class." Furthermore I think he tends to oversimplify or overemphasize the impacts on the legal and illicit subeconomies which addiction affects.

Mr. Yurick credits the men who have power in this country with too much sophistication and too great a degree of deviousness. He views the growth of addiction among the young as a phenomenon intentionally fostered by them in order to socialize otherwise alienated youths into the economic mainstream. "Operation Intercept . . . was a kind of protective tariff, carried out another way, in favor of heroin." Secondarily, he sees the growth of addiction as beneficial to capitalism, by absorbing more of its surplus value through consumption and replacement of stolen goods and the expansion of governmental departments which try to "solve the problem."

But far from seeing addiction as the perfect solution to the problem of alienation, the decision-makers would view it as causing much more harm than good. Drug addiction has become a major public issue because America's middle class, and

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the media which provide it with self-images, has decided that drugs and addiction have become its own problem. Surely any administration could only feel that its legitimacy is diminished by such a perception among its constituents. The amount of actual addiction in the middle and upper classes is almost irrelevant. These people (read voters) see their children as being threatened by a fate far more horrible than alienation or nonconsumerism. And this has resulted in a crisis of confidence in at least some governmental institutions.

As for the secondary motivation, I would find it curious if this country's leading politicians, businessmen, and academics thought in terms of the necessity of finding ways to utilize an ever-growing surplus value. They are far more likely to think of addiction-caused crime as an added cost of production, and the expansion of parts of the government as so much waste and an additional "drag on the economy."

Any further serious study of the political economy of addiction would have to begin by rectifying some rather misleading statements of Mr. Yurick's. The first is with regard to the amount of money generated in and by the illegitimate heroin economy. Mr. Yurick speaks of 500,000 addicts spending $20 a day on their habits. Both figures are pure conjecture. The somewhat surprising truth is that no one has any idea how many addicts there are in this country. (The often heard figure of 100,000 for New York City is derived by a methodology so faulty that it can be defended only as the grossest of estimates.) A recent study by the New York State drug agency indicated that their junkies' average daily habit was costing closer to $15 a day. More importantly, there are many ways that addicts obtain drugs without theft: by selling drugs, or by paying for them with legally earned or given money. Addicts also become unaddicted for various periods, e.g., when they are in jail or in a program. The addiction market just cannot be approximated by simple multiplication of the number of addicts times their daily habit times the days in a year.

Later, Mr. Yurick talks about a $30 billion-a-year turnover in stolen goods, in order to finance everyone's habit. This is only compounding the original error. A presidential commission on crime studied the year 1965 and estimated that goods

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worth roughly $3.5 billion were stolen that year by all criminals (and this estimate tried to include unreported crime). While crime and addiction have increased since 1965, they have not increased exponentially. Three or even six billion dollars of turnover has a rather different impact on the national economy than do thirty.

The same presidential commission estimated that the income to organized crime from narcotics sales was $350 million in 1965. For comparison, this figure can be contrasted with organized crime's income from gambling estimated at $7 to $11 billion. While the narcotics figure has perhaps doubled in 1970, there are indications that the men earning this income are no longer financially sophisticated *mafiosi,* but recent immigrants from Cuba. I am sure that Mr. Yurick would relish the idea of such staunch anti-Communists profiting from this business, but still it is not clear whether these gentlemen have reached the point of capital accumulation where they can afford to pour their funds back into the legitimate economy.

I think it is useful, but only to a point, to think of addicts as stoned businessmen and true followers of the Protestant work ethic. The illegal drug business is in many ways a *reductio ad absurdum* of capitalism. But Mr. Yurick seems to take this analogy literally and thinks of the transformation from hippie to addict as a kind of genuine (economic) rehabilitation. As argued above, the addicts' illegal activities have a much smaller impact on the overall $900 billion-a-year national economy than is suggested in the article. Addicts' acquired modes of compulsively getting and spending have a direct impact on the legitimate economy only as the various therapies and programs succeed. For until addicts kick their habit they make virtually no purchases of the legitimate goods and services which comprise the GNP.

The existence of these rehabilitative programs contradicts the statement that "junkies . . . are politically defused." Great blocs of voting, and therefore conventionally politically-powerful, citizens see themselves and their children directly menaced by the spread of drugs. The specter of potential addiction has proven to be a very potent political force in recent elections. Both Lindsay's and Rockefeller's re-elections were contingent

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on their accounting for New York's alarming drug problem without discrediting their prior years in office.

Lastly, I would agree that most of the techniques of therapy share the *form* of Christian Redemption, and often they also share the content. Programs see themselves as socializing the addict away from the world of drugs and towards the straight world. But all too often this straight world is construed in narrow and painfully conventional terms of "whatever is, is right." The cathartic form of Christian Redemption is necessary because an addict must deal with some staggering psychological realities in order to free himself from the crutch of addiction. However, it is possible for the drug-free world into which he is being socialized to have a radical or revolutionary world-view —see *The Autobiography of Malcolm X* for the Muslims' version of drug rehabilitation. The ex-addict has a gut-level understanding of the capitalist mentality. The rehabilitative process can and ought to focus on the political and economic system which was responsible for his objective situation when his addiction began.

What reasonably remains of Yurick's argument is the fact that corporate capitalism in contemporary America has produced substantial material deprivation for many of its citizens and equally substantial spiritual deprivation for many more. One way in which the subsequent alienation manifests itself is drug abuse and drug addiction. Predictably the society's response to this problem has been a verbal or real commitment to more of the same; more police, more studies, and more programs. A byproduct of this commitment, clear to the Marxist critic if not the conventional one, is that a somewhat greater amount of the surplus value is utilized. But until an egalitarian and socialist society is built in this country, the problem of drug addiction will remain as malevolent and unsusceptible to cures as it has up to this time.

*Donald Light**

January 1971
New York City

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* Donald Light works with a drug rehabilitation program in the New York area.

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RESPONSE TO A RESPONSE

I must confess that Mr. Light's reply to my article depresses me. It shows a lack of political sophistication which is, in a socialist, not only deplorable, but dangerous. I think that one should begin by stating one's social background, one's education, which go far to explaining one's political and economic analysis of a system. Mr. Light works for an addiction program, which presupposes a humanitarian instinct, but is contradicted by a certain technical training which I presume lies within the area of therapy. Let me propose this: all therapy is socializing and the training of therapists presupposes certain ideological investments which may be at variance with one's socialism. Or: precisely how do you go about politicizing the junkies you work with? How do you organize them?

Let me go into a few points at random, for to answer Mr. Light's objections in depth requires a book and an extensive reading list and a touching on many areas.

As for the deviousness and sophistication of men of power, one cannot stress it enough. If those very men of power are lacking in certain attributes, they have sense enough to hire a vast corps of intellectuals and coordinators who know precisely how to use the intellectual product. To be sure, there are dissonances, contradictions about courses of action which are generated by cultural investments as well as business investments. Every business is sustained not only by its legal activities, but by its quasi-legal manipulations of law and by its outright illegality. There is no capitalism possible without illegality, and Marxists have not paid enough attention to this dimension. But, there are also the challenges of rising business, such as the drug business, which may or may not be fought by the entrenched strata. In a time of monopolization all new businesses are challenged by the monopolies, especially when they are dangerous to the orderly running of the monopolies. But we must view capitalism as a system with contradictions which must in time tear it apart: that's part of our hope. How many panics and depressions in this country have sprung directly out of the fights between major tendencies? What can loosely be called the Hamiltonian, centralizing, big business tendency has fought what

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I will loosely call the Jeffersonian, or right libertarian decentralized tendency, from the inception of the republic. Anyway, read Kolko's *The Triumph of Conservatism.* I think we should regard the Mafia as a growing business empire whose priorities have begun very seriously to challenge the older business interests, which has not prevented a growing integration side by side with the conflict. Contending factions may fight bitterly, there may even be killing. On one thing they are agreed: capitalism must go on. Anyway, why has the defense, intelligence, and business community been interested in social studies that cover every aspect of life?

Mr. Light makes me sound as if I'm approving of capitalism. I thought I stressed the dangerous aspects of drugs, as they're marketed now, to the business community, but I ended with the note that rationalization should (from their point of view) and will occur. We should not forget the intensive testing of drugs on children in the schools all over the country. The need for the politically soothing effects of drugs, albeit not heroin, has appeared in the *Times itself.* Capitalism, I propose, is capable of anything, any enormity. It's a question of whether one is crude or not, and that's a real contradiction too. Mr. Light misses the ironic dimension: would he suggest that Jonathan Swift approved the eating of Irish children? Would he negate the sardonic dimension in Marx?

Why is Mr. Light so swift to accept bourgeois statistics and bourgeois ideology? Granted, the spread of heroin is poorly understood. But *Business Week* has proposed a figure of $3 billion a year. And more, my researches have revealed the presence of heroin in the smallest towns all over the country. The smallness of use in the middle class does not directly correlate with the greatness of effect: economic effects are not to be expressed merely in terms of dollars and cents but in terms of emotional and religious investment in a hegemonic culture. The spending of money is among other things an act of faith, and without faith and confidence, no economic system goes on. As for the $30 billion figure, that too was a modest conjecture. I think it's much more. After all, there is not only the resale price of the stolen object, but the resale price after that, which I didn't go into. To be sure there are those who spend parts

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of their salaries and allowances on dope, but these may be offset, for instance, by those junkies who steal cars and sell them for a fix. And too, the mechanism of making a stolen object legal sometimes requires five or six transactions.

As for the Cubans, has Mr. Light forgotten the intense Mafia-Cuban relations which existed before the revolution? Has he considered the fact that the presence of Cuban pushers in the Puerto Rican community represents the sale of a franchise rather than independent activity? Independent activity gets you killed. The Mafia may have wanted to get rid of a bad image, but when did any business concern give up vast profits without a bitter fight? And what's the relationship between this activity and a growing, national, Cuban, business and religious community which is springing up in Puerto Rican and Chicano communities all over the country? More: what's the relationship between the surfacing affluence of this group and its willingness to be the foot soldiers of American imperialism? I mean that the *gusano* leaders have to be paid with a little more, don't you think, than patriotism? Don't forget that the Mafia, as well as American business, has a vested interest in the recovery of Cuba.

In attacking my comments on the Protestant Ethic, Mr. Light fails to regard this as a political document and an implicit comment on youth culture as a bourgeois phenomenon (about which I'll write in a later article), not a revolutionary one. It's not that the comparison is a *reductio ad absurdum,* but that capitalism is absurd and that in the simplest and most taken-for-granted day-to-day tasks we are all murderers and junkies, even if only consumption-junkies.

I said that the *junkies* are politically defused. They have no say in their fate whatsoever. Again, look at the history of intoxicants. Their programs are decided upon by the unhooked, by the mental-health profiteers. And remember, for every Malcolm X, there are thousands of recidivists. To use Malcolm X as the example is like saying capitalism works and is beneficial and everyone has a chance: look at all the poor boys who have become rich.

Mr. Light speaks of "psychological realities." What's that? Does he claim that there is a psychological science that exists

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independently of an ideological position? Does he propose that psychology is above politics and class views? Radical therapy and radical psychology are in their infancy. All therapy, its very basic theories, going back to Freud, has a pernicious political content. Let me also propose that the psychologies of different class groupings are different and certainly not to be bridged by a bourgeois theory and a bourgeois-serving therapeutic community. (Again, the basis of another article.)

Capitalism is a corrupt and murderous system. GNP itself is a ridiculous idealization. I sought to extend the idea of this numerical paean to excellence by proposing that the purchase of drugs and the sale of them are goods and services too. Why, Mr. Light, are you so literal? Is your literalness perhaps a product of an educative system which was supposed to render you ignorant? Don't turn against me; turn against the forces that have shaped both of us; investigate every aspect of life; trust your nascent socialist instinct.

A few additions: since the article has come out I've gotten dozens of communications that indicate that, more and more, business is finding ways to adjust and use drugs to keep the work force happy, contented, underpaid. We're at the beginning of a golden age.

People have reported to me that the summer after the Harlem and Bedford-Stuyvesant riots, those areas were flooded with drugs; heroin mostly. Can it be turned on and off just like that? Yes: if everyone is paid. Remember, criminals in the slums are an auxiliary police force with police connections.

Some years ago there was extensive fighting between the black and Italian communities of East New York, which was arbitrated by two community leaders, one of the Gallo boys and a black pusher. (And we must not forget that black pushers won community control, but *not* control of the distributive apparatus, some years ago.)

At the core of the whole thing is the question of conspiracy, the basis of yet a third article. Let me suggest the writing of an establishment historian, C. Vann Woodward's *Reunion and Reaction,* for one working model of how a conspiracy works. It is not that conspiracies are simplistic and have the exact effect that the conspirators set out to create. There are compromises,

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after all, contradictions, and messy ends. Conspirators may not even sound like conspirators and may even appear to be men of reason striving to perpetuate their interests. A conspiracy may indeed consist of adjusting to a negative law and finding ways to word it so that it doesn't work. This is common.

I am reminded of the generation of the Fourteenth Amendment and the purposes it was really designed to serve. Read Charles Beard on this in *The Rise of American Civilization.*

In fact, the most beautiful conspiracy and compromise of all is, after all, the Constitution of the United States. God, what sophistication!

One last point. Mr. Light concludes by saying: "But until an egalitarian and socialist society is built . . ." How does Mr. Light, working in his profession, propose that this happen without concrete, conscious acts? Possibly, in this phase of the struggle, it is better to give a political content to the *desirability* of being a junkie; in fact, show him or her where to steal so that each theft has a political content. Is that too harsh?

Sol Yurick

February 1971
New York City

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by Christopher Caudwell

Introduction by Sol Yurick

In 1938, a year after his death in Spain, Christopher Caudwell's *Studies in a Dying Culture* was published, to be followed eleven years later by a second volume, *Further Studies in a Dying Culture.* This volume makes available once more both important works by one of the foremost Marxist critics of the thirties.

The first book consists of eight essays: on George Bernard Shaw, T. E. Lawrence, D. H. Lawrence, H. G. Wells, Sigmund Freud, and on pacifism and violence, love, and liberty.

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From Studies and Further Studies in a Dying Culture

"The unparalleled increase in productive powers has given birth, not to peace, plenty, and happiness, but to war, famine, and misery. What is the explanation? Either the Devil has come amongst us having great power, or there is a causal explanation for a disease common to economics, science, and art. Why then have not all the psychoanalysts, Eddingtons, Keyneses, Spenglers, and bishops who have surveyed the scene, been able to locate a source of infection common to all modern culture, and, therefore, surely obvious enough? For answer, these people must take to themselves the words of Herzen: 'We are not the doctors, we are the disease.' "

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WORLD EVENTS

By Scott Nearing

Another Dollar?

Barron's National Business and Financial Weekly for March 15, 1971, printed a front page story under the caption: "Another Day, Another Dollar?" Back in prewar days unskilled wages were at or below the dollar-a-day level. At the end of a nine- or ten-hour day in a six-day week workers often parted with the salutation: "Another day, another dollar!"

Barron's editors have revived the slogan but in quite another context. Disturbed and upset by current international economic trends, they expressed "disgust over the state of the American dollar." In major exchange centers (London, Paris, Brussels, and Zurich) they note that the market is glutted with unwanted dollars. The price of gold has crept up from its nominal selling price of $35 to more than $39 an ounce. Shares of gold-mining companies have been strong and active. These and other signs point up the possibility of another international drive to force a further devaluation of the dollar.

"Like a man with chronic heart disease," *Barron's* points out, "the dollar may suffer a number of seizures without succumbing. There is scant reason to suspect that the current malaise is any worse than a number of other attacks which have occurred in recent years, or that it will prove fatal. What is perhaps most remarkable about the latest one, however, is the number of alleged friends of the family that have gathered around the invalid's bedside, either proffering unwanted advice or urging the patient to drop dead. For the major reserve currency of the free world, in short, time seems to be running out."

This most recent "dollar attack" began in the closing months of 1970 at the annual meeting of the World Bank and International Monetary Fund when Pierre Paul Schweitzer,

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president of the organization, suggested that the United States stop pushing unwanted dollars on foreign central banks and settle its accounts with other reserve assets, such as gold.

Fifteen years ago, when United States gold reserves stood at $22 billion, such a proposal would not have embarrassed American officialdom. But today, with American gold reserves at $11 billion, and European claims against this gold reserve at $40 billion, talk about settling international debits with gold is quite another matter.

Year after year, Washington's balance of international payments has been written in red ink. "Cumulative deficits for the years 1960-1970 amounted to $21.14 billion in terms of official settlements and $31.1 billion on the liquidity basis." (*Barron's,* as above) Despite a surplus of exports over imports, the heavy costs of the no-war in Indochina, the continued flow of U.S. investment funds into foreign enterprises, and the heavy expenditures of American tourists in foreign countries have continued to pile up a growing backlog of deficit.

Thus far, Washington has met the situation by depositing paper dollars in European central banks. But paper dollars are really just paper, worth no more than any other credit instrument marked IOU.

Of late years Uncle Sam's credit has been seriously eroded. For one thing, the gross public debt in the United States has jumped from $1 billion in 1910 to:

24	"	in 1920
16	"	in 1930
43	"	in 1940
257	"	in 1950
286	"	in 1960
371	"	in 1970.

(*World Almanac,* 1971, p. 82)

The jumps from 1910 to 1920 and from 1940 to 1950 were due to wars. The jump of $114 billion from 1950 to 1970 came chiefly from deficit spending—running deliberately into debt. Federal budgets in 1970-1971 and 1971-1972 propose to add another $20-$25 billion to the existing public debt.

With the international balance of payments running

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against the United States year after year, with the public debt rising persistently, and with the reckless escalation of deficit spending in current Federal budgets, is it any wonder that responsible European economists anticipate a time in the immediate future when the United States dollar must be devalued?

Barron's printed the warnings of several representative European economists against a continuance of deficit spending by United States authorities. However, even the man on the street knows that any debtor can plunge so deeply into debt that his promises to pay will not be worth the paper on which they are printed.

Year by year the U.S. dollar buys less and less. Recently the annual rate of this erosion has been around 5 to 6 percent. If the trend continues, a time must come when the current dollar will buy next to nothing.

Before that point is reached, the current dollar will be recalled and Another Dollar will be issued in its place.

Job Squeeze Among Intellectuals

Minor recessions and depressions bypass the technological intelligentsia. Management and expertise are kept on as a matter of course. Casual labor takes the rap. Major shifts in the economy reach management, the highly skilled, and the experienced.

When the current slowdown started, American business concerns began to slenderize. The latest casuals hired were the first to be fired. But in 1970 and 1971 business also began to lay off management and highly skilled personnel.

Take a case in point. The *New York Times* "has let the equivalent of 300 jobs fall vacant," as advertising fell in 1970. (*New York Times,* March 11, 1971, p. 11) The *Times* was not alone. Advertising revenue in 1970 fell below that of 1969 by 14 percent for *Life,* by 5 percent for *Time,* and by 20 percent for *Fortune.* Consequently, Time Inc. has eliminated 450 jobs during the past year (*New York Times,* March 11, 1971, pp. 1, 65) The *Times* survey continued: "The publishers of the hardest-hit publications are far from optimistic," because the decline in advertising revenue that began in 1970 seems to be continuing in 1971.

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Publishing is a relatively small business in comparison with the industrial giants, but advertising—the channel of communication between producers, middlemen, and consumers, is a first-class index of business trends.

Another good index is the willingness or unwillingness to take on new help. About 800,000 young people are graduating from United States colleges and universities in 1971. The number in 1971 is 32,000 over 1970.

> Indications are that many highly trained graduates will be unable to find employment in their chosen fields. This is especially true of scientists, engineers and teachers. Some students may find no work at all for a while. . . . Tightness of the market for professionals was pointed up by a White House report on March 3 that unemployment among engineers, scientists, and technicians already out of college has reached 60,000. (*U.S. News & World Report,* March 15, 1971, p. 22, headed "Recession Hits the Campus: Fewer Jobs for Graduates.")

U.S. News notes that hiring of graduates by the big companies "has been running 20 to 25 percent below a year ago" and that "Federal, State and local governments are expected to take on about 24 percent fewer college-educated workers."

U.S. News makes a further point. The beginning salaries offered college graduates are leveling off. Instead of the usual 5 or 6 percent increase each year, beginning salaries will be offered at the 1970 rate, or decreased.

The job squeeze from 1929 to 1933 hit the intellectuals hard. The current experience is paralleling that of forty years ago.

When Johnny Comes Marching Home

"When Johnny comes marching home again, Hurrah! Hurrah!
We'll give him a hearty welcome then, Hurrah! Hurrah!
The men will cheer and the boys will shout,
The ladies they will all turn out,
And we'll all feel gay when
Johnny comes marching home!"

So ran the popular ditty when volunteers were being rounded up to go South and fight in the Civil War.

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Most of the American boys who were drafted and shipped to the Indochinese jungles did not die there nor did they win a permanent place in one of the veteran's hospitals or cemeteries that now dot the U.S.A. landscape. Thousands of them are coming back alive each month. They know very well that they will not be met by cheers, flags, and brass bands, but they are at least hoping to find a decent civilian job. Even at that they are having a hard time.

The *Christian Science Monitor* (April 3, 1971, p. 6) reported: "The war has produced a total of 2.4 million veterans, whose unemployment rate over the last three months in the 20-29 age range as a group is 10.2 percent (15.6 percent for black veterans)." For the United States labor force at large, the current unemployment rate is 6 percent.

A special story on job prospects for Vietnam veterans, written by Lawrence Van Gelder, was published by the *New York Times* of March 11, 1971. "Prospects for employment are certainly worse than a year ago." "The impact is being felt most heavily by veterans in their early twenties who lack job experience, and even more by blacks and Puerto Ricans."

William G. Pegg, veterans' employment representative of the Department of Labor, was quoted as saying: "This is a tough, tough job market." The New York State Employment Service had 4,000 applications for jobs from veterans. Of the 4,000, about 1,400 were placed.

"My counterparts in other states are crying about the same difficulties," Mr. Pegg noted. Furthermore, he remarked that in some upstate New York communities veteran job hunters found conditions worse than in New York City.

Veterans of Vietnam were facing greater difficulties than those of Korea, Mr. Pegg concluded. "There was more of a welcome-home type spirit then."

Pentagon Big Brass may say what they please about "strategic realignments" in Vietnam. They may even succeed in spelling defeat with the seven letter word V-I-C-T-O-R-Y. But for thousands of boys who are returning to North America, doffing their uniforms and hunting for non-existent civilian jobs, the Vietnam adventure has proved to be an unmitigated personal disaster.

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Liquidating Railroads

Through the greater part of the nineteenth century, private and public U.S. authorities made frantic efforts to build railroads. During the past forty years, formerly as a citizen of Vermont and now of Maine, I have watched my fellow citizens tearing up rails and dumping old railroad ties. Good roads, plus autos, busses, trucks, and airplanes, are carrying most of the passengers and much of the freight. Railroads are becoming obsolete.

Railpax, the new Federal agency responsible for railroads, issued a plan in March 1971 under which passenger rail mileage will be further reduced. Passenger traffic will be severely cut back once again. Former centers of passenger service such as Cleveland, Ohio will be passenger-trainless. Six states, including Vermont and Maine, will have no passenger service at all.

I would like to make two comments on the wisdom of this drastic abandonment of railroad passenger service:

(1) Four European countries which I have recently visited (Holland, Switzerland, Sweden, and Great Britain) are carrying millions of people on fast, punctual, clean, beautiful trains.

(2) Japan, a country flattened by war, has rebuilt its entire economy, knit together an excellent road network, an abundance of autos, trucks, and busses, and an out-of-this-world railroad passenger service, consisting of local, express, and super-express trains, filled with proud, satisfied passengers.

While we destroy, they are building. Who is wisest?

PEACE SEMINAR

Dr. Jerome Davis, formerly of Yale, and Raymond Wilson, of the Friends Committee on National Legislation, will lead a PEACE SEMINAR to London, Poland, Hungary, Bulgaria, and the Soviet Union, from July 15 to August 5. They will see top government leaders everywhere, meet with Peace Committees, and go into Russian homes. Pictures can be taken everywhere. The total cost for everything is only $1,080, and neither leader is paid anything. Since the number that can be taken is limited, write Jerome Davis, Friends House, Apt. C-25, Sandy Spring, Md. 20860, for full details.

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(*Continued from inside front cover*)

Review in Italian language, I have remain impress for the reality politics, the light and simplicity of your articles. En particulari I follow with attention many years all our socialist movements, national and foreign.

"Through this your writings and Leo Huberman's I have seen reflected my own ideas political and social very near, but don't say equal to yours. I am sure that your activity which you have made in the past and future will not be useless, but in the future you will collect the fruits of all your sacrifice and fight years.

"I am a simple steward of thirty-three years old on Italian passenger ship and now I make the voyage from Europe to South America.

"It's many years to ever 'I have to look for live as I think' and I have fight and never conceal my socialist ideas even if many time it is very difficult in this society in which we live.

"Dear friends, I have wanted to write you for to say that you are not alone, and there are millions of persons with you, near to you, and believe in you.

"I let you with this letter and I wish you a best work for the future. Compliments for your MONTHLY REVIEW and all your articles."

We are pleased to inform you that the recently published MR Press book, *White Niggers of America* by Pierre Vallières, is getting the kind of attention which may stimulate the wide circulation this book deserves. In addition to a review in the *New York Times* of April 6, 1971, the Sunday *Book Review* of the *Times* (April 11) gave it a long, page one article with the title "Canada's Eldridge Cleaver and Malcolm X." We gather that other widely-circulated publications will also be giving major attention to this book.

Joshua Horn, author of another MR Press book, *Away With All Pests: An English Surgeon in People's China, 1954-1969*, is currently touring the United States. More than 1,500 persons attended his talk at the Student Union Building in the University of California at Berkeley. He has also lectured in Kansas City, Chicago, Detroit, Boston, and New York City. "Hospitals in China," a chapter from his book, appeared in the April 1971 issue of MR.

Discussions have taken place among staff members about the desirability of having a "Question and Answer" department in the magazine. We frequently get letters asking us to elaborate on some aspects of socialist theory or developments in the United States, to recommend reading material, etc. Wherever feasible, such requests have been answered in personal letters. It may be though that such correspondence —even though it sometimes deals with very elementary matters—is of more general interest. If such a section of the magazine were created, we would want to consider pulling together a panel of specialists who would work with the editors in preparing material. In any event, we would very much like to hear from readers about their views on an innovation of this sort. And if it does seem of value, let us have some suggestions of topics or questions you would like to see considered.

With the graduation season approaching, shouldn't you be thinking of a gift subscription to MR for your favorite high school or college graduate? It would be a fine way to help a young person along to some *real* education. Better still, you might consider a gift MR Associate Membership. You could thus encourage good habits: the fifty percent discount on the purchase of MR Press books available to the new MR Associate will ease the building of a useful radical and socialist library.

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Away With All Pests

An English Surgeon in People's China, 1954-1969

DR. JOSHUA S. HORN

Introduction by Edgar Snow

Joshua Horn got his first glimpse of China in 1937. He had thrown up an academic career at Cambridge to begin the practice of clinical medicine as a ship's surgeon. It was to be seventeen years before he would see China again. During those years he worked as a surgeon in the dockside area of London during the German blitz, spent four years as an Army operating surgeon, and another seven as a surgical specialist in Birmingham. Then, in 1954, he and his family uprooted themselves and went to China, chiefly for political reasons.

For the next fifteen years, Dr. Horn worked in China as a surgeon. He was eventually appointed Professor of Orthopaedics and Traumatology at the Chi Sui Tan Hospital in Peking, and as a member of a mobile team traveled throughout the country. He returned to England in 1969, resumed his surgical work, and published this account of his life and work in China. It is fascinating not only as a medical record but for the picture it offers of Chinese life during the bulk of the revolutionary period, and during the Cultural Revolution as well. In this description of the application of egalitarian principles to medicine, one can feel the spirit that animates all Chinese politics today.

As a member of a mobile medical unit, Dr. Horn helped combat schistosomiasis in rural areas, and describes the methods used to eliminate this ancient scourge. He has remarkable things to relate about advances in skin grafting, treatment of burns, the virtual eradication of venereal diseases, and, most sensational of all, the regrafting of severed limbs.

There are thirty-two pages of remarkable photographs, many taken by the author in the course of his work.

"This book gives the reader an insight into the ways and methods of modern China written by an enlightened and practical surgeon who himself is a Fellow of the Royal College of Surgeons of England. . . . This is a fascinating story told in a stimulating way and it should prove as popular with the laity as with the medical profession."—*British Journal of Surgery.*

"This is an important book by an experienced British consultant in traumatic surgery who resigned from the National Health Service to help China and has lived there for many years. . . . Dr. Horn's experience in the organization of medical resources in a large but poor country . . . is of the greatest interest to anyone who has to deal with similar problems in Asia, Africa, or elsewhere. The line followed is so diametrically opposed to that taken south of the Himalayas in India, with its abolition of all lower grades of doctor and the flood of new university medical graduates who have no desire to leave the cities."—*British Medical Journal.*

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